

O.R. TAMBO DISTRICT MUNICIPALITY MUNICIPALITY



**O.R. TAMBO  
DISTRICT MUNICIPALITY**

**FINANCIAL STATEMENTS**

for the period ended

30 June 2011

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 55, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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**T.T.Nogaga**  
**Acting Municipal Manager**

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**O. R. TAMBO DISTRICT MUNICIPALITY  
FINANCIAL STATEMENTS  
For the period ended 31 March 2011**

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Draft

Financial Statements

for

**O.R. TAMBO DISTRICT MUNICIPALITY**

for the period ended 30 June: **2011**

Province: Eastern Cape

AFS rounding: **R (i.e. only cents)**

**Contact Information:**

<b>Name of acting Municipal Manager:</b>	Mr M.M.E. Ncube
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<b>Name of Chief Financial Officer:</b>	Moabi Escort Moleko
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<b>Name of contact at National Treasury:</b>	Keitumetse Malebye
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Contact telephone number:	012 315 5989
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Contact e-mail address:	
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**O.R. TAMBO DISTRICT MUNICIPALITY**  
**FINANCIAL STATEMENTS**  
for the period ended 30 June 2011

**General information**

***Outgoing Councillors***

<u>Members of the Council</u>		<b>Date of commencement</b>	<b>Date of resignation</b>
Mrs. R.Z. Capa	<b>Executive Mayor</b>	22-Mar-06	07-Jun-11
Ms. N. Madalane	<b>Speaker</b>	22-Mar-06	07-Jun-11
Mr. Z. Mzamane	<b>Council Chief Whip</b>	22-Mar-06	07-Jun-11
MMC L.S. Nduku	Member of the Mayoral Committee	22-Mar-06	07-Jun-11
MMC E.N. Diko	Member of the Mayoral Committee	22-Mar-06	07-Jun-11
MMC Z. Ndlovumbini	Member of the Mayoral Committee	22-Mar-06	07-Jun-11
MMC N.B. Tobo	Member of the Mayoral Committee	22-Mar-06	07-Jun-11
MMC N. Meth	Member of the Mayoral Committee	10-Sep-08	07-Jun-11
MMC M. Makhedama	Member of the Mayoral Committee	22-Mar-06	07-Jun-11
MMC N. Malunga	Member of the Mayoral Committee	22-Mar-06	07-Jun-11
MMC J.P. Mdzingi	Member of the Mayoral Committee	22-Mar-06	07-Jun-11
MMC D.J. Myolwa	Member of the Mayoral Committee	22-Mar-06	07-Jun-11

**The Municipal Council (outside Mayoral Committee)**

Betele S.	22-Mar-06	07-Jun-11
Dambuza M.B.	22-Mar-06	07-Jun-11
Diniso M.	22-Mar-06	07-Jun-11
Dudumayo B.	22-Mar-06	07-Jun-11
Gexu N.	22-Mar-06	07-Jun-11
Gwadiso J.P.	22-Mar-06	31-Jul-10
Hlabiso L.	22-Mar-06	07-Jun-11
Jwacu N.	22-Mar-06	07-Jun-11
Khonza N.	29-May-09	07-Jun-11
Luvela T.	22-Mar-06	07-Jun-11
Madubedube G.N.	05-May-09	07-Jun-11
Mamve N.	22-Mar-06	07-Jun-11
Mandita K.	22-Mar-06	07-Jun-11
Mantanga P.N.	22-Mar-06	07-Jun-11
Marini K.	22-Mar-06	07-Jun-11
Matomane R.N.	22-Mar-06	07-Jun-11
Mbelu N.	31-Mar-09	07-Jun-11
Mngoma N.	22-Mar-06	07-Jun-11
Moyakhe N.S.	22-Mar-06	07-Jun-11
Mpatane X.	29-May-09	07-Jun-11
Mtshengu A.	22-Mar-06	07-Jun-11
Mvanyashe M.N.	22-Mar-06	07-Jun-11
Ndabeni M.	22-Mar-06	07-Jun-11
Ndabeni S.	22-Mar-06	07-Jun-11
Ndamase P.	22-Mar-06	31-Jan-11
Ndlobongela B.	22-Mar-06	07-Jun-11
Ndude L.M.	22-Mar-06	07-Jun-11
Nkosiyanne N.L.	05-May-09	07-Jun-11
Nyengane S.	05-May-09	07-Jun-11
Qhosha B.	22-Mar-06	25-Jan-11 (Deceased)
Qhuba W.S.	22-Mar-06	07-Jun-11
Sigcau N.E.	22-Mar-06	07-Jun-11

**O.R. TAMBO DISTRICT MUNICIPALITY**  
**FINANCIAL STATEMENTS**  
for the period ended 30 June 2011

**General information (continued)**

***Outgoing Councillors***

<b><u>Members of the Council</u></b>	<b>Date of commencement</b>	<b>Date of resignation</b>
Sigcau T.T.	22-Mar-06	07-Jun-11
Soldati N.	05-May-09	07-Jun-11
Sotshangane S.M.	22-Mar-06	07-Jun-11
Tayi H.S.	22-Mar-06	07-Jun-11
Thiyeka N.	22-Mar-06	07-Jun-11
Tshiceka N.	22-Mar-06	07-Jun-11
Tshobonga N.	22-Mar-06	07-Jun-11
Tshotsha L.M.	30-Apr-10	07-Jun-11
Tshotsho M.	22-Mar-06	07-Jun-11
Tsipa K.W.	22-Mar-06	07-Jun-11
Wade B.J.	22-Mar-06	07-Jun-11
Yalo Z.	22-Mar-06	07-Jun-11

**O.R. TAMBO DISTRICT MUNICIPALITY**  
**FINANCIAL STATEMENTS**  
for the period ended 30 June 2011

**General information (continued)**

**Incoming Councillors**

<b><u>Members of the Council</u></b>		<b>Date of Appointment</b>	
Meth N.	<b>Speaker</b>	07-Jun-11	Re-appointed
Myolwa D.J	<b>Executive Mayor</b>	07-Jun-11	Re-appointed
Ntobongwana N.	<b>Chief Whip</b>	07-Jun-11	
Soguntza N.	Member of the Mayoral Committee	07-Jun-11	
Mambila L.N	Member of the Mayoral Committee	07-Jun-11	
Nogumla R.Z	Member of the Mayoral Committee	07-Jun-11	
Hlazo H.T	Member of the Mayoral Committee	07-Jun-11	
Mbede B	Member of the Mayoral Committee	07-Jun-11	
Nkani B.J	Member of the Mayoral Committee	07-Jun-11	
Mlamli S	Member of the Mayoral Committee	07-Jun-11	
Ngozi W	Member of the Mayoral Committee	07-Jun-11	
Dyule N.W	Member of the Mayoral Committee	07-Jun-11	
Socikwa M	Member of the Mayoral Committee	07-Jun-11	

**The Municipal Council (outside Mayoral Committee)**

Betel S.		07-Jun-11	Re-appointed
Bunzana M		07-Jun-11	
Capa N.		07-Jun-11	
Dambuza M.B.		07-Jun-11	Re-appointed
Dangala V.		07-Jun-11	
Dawedi A.M.		07-Jun-11	
Dudumayo B.		07-Jun-11	Re-appointed
Dyule N.W.		07-Jun-11	
Gogo M.		07-Jun-11	
Gwadiso V.O.		07-Jun-11	
Hibhane Z.		07-Jun-11	
Hlazo H.T.		07-Jun-11	
Khotsholo B.		07-Jun-11	
Kotana M.		07-Jun-11	
Khupelo T.E.		07-Jun-11	
Magaya H.		07-Jun-11	
Mandita K.		07-Jun-11	
Mamve N.N.		07-Jun-11	Re-appointed
Makhedama M.		07-Jun-11	Re-appointed
Malangeni L.M.		07-Jun-11	
Mambila L.N.		07-Jun-11	
Maqabuka Z.V.		07-Jun-11	
Mathe M.S.		07-Jun-11	
Matomane N.R.		07-Jun-11	Re-appointed
Mazuza C.S.		07-Jun-11	
Mbede B.		07-Jun-11	
Mbotshwa N.		07-Jun-11	
Meth N.		07-Jun-11	
Mpemnyama N.		07-Jun-11	
Mlamli S.		07-Jun-11	
Mqingwana N.E.		07-Jun-11	
Mtwa M.		07-Jun-11	
Mvanyashe M.N.		07-Jun-11	Re-appointed
Mnyanda V.		07-Jun-11	

**O.R. TAMBO DISTRICT MUNICIPALITY**  
**FINANCIAL STATEMENTS**  
for the period ended 30 June 2011

**General information (continued)**

**Incoming Councilors**

<b><u>Members of the Council</u></b>	<b><u>Date of Appointment</u></b>
Myolwa D.J.	07-Jun-11
Mziba L.	07-Jun-11
Mvamveki N.	07-Jun-11
Ngozi W.	07-Jun-11
Ndlobongela B.	07-Jun-11 Re-appointed
Ndlela	07-Jun-11
Ndude L.M.	07-Jun-11 Re-appointed
Ndzwayiba W.M.	07-Jun-11
Nkani B.J.	07-Jun-11
Nkungu M.	07-Jun-11
Njemla N.S.	07-Jun-11 Re-appointed
Ngabayena M.	07-Jun-11
Nogumla R.Z.	07-Jun-11
Ntshoyi N.	07-Jun-11
Ntshuba V.W.	07-Jun-11
Ntobongwana N.	07-Jun-11
Pepping P.N.	07-Jun-11
Ruleni S.	07-Jun-11
Sigcau M.	07-Jun-11
Sikhonkothelo N.	07-Jun-11
Socikwa M.C.	07-Jun-11
Soguntuza N.	07-Jun-11
Thwatshuka D.	07-Jun-11
Thiyeka N.	07-Jun-11 Re-appointed
Xangayi C.T.	07-Jun-11
Zweni R.M.	07-Jun-11

**Municipal Manager**

T.T.Nogaga

**Chief Financial Officer**

M. E. Moleko

**Grading of Local Authority**

4

**Auditors**

Auditor-General

**Bankers**

First National Bank

**O.R. TAMBO DISTRICT MUNICIPALITY**  
**FINANCIAL STATEMENTS**  
for the period ended 30 June 2011

**General information (continued)**

**Registered Office:** O. R. Tambo House

**Physical address:**  
Nelson Mandela Drive  
Myeko Park  
Mthatha  
5099

**Postal address:**  
**P/Bag X 6043**  
Mthatha  
5099

**Telephone number:** (047) 501 6400

**Fax number:** (047) 532 4166

**E-mail address:** [ayanda@ortambodm.org.za](mailto:ayanda@ortambodm.org.za)

**O.R. TAMBO DISTRICT MUNICIPALITY  
FINANCIAL STATEMENTS**  
for the period ended 30 June 2011

**Approval of annual financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages 6 **to 55**, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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Acting Municipal Manager

T.T.Nogaga

*DATE:*

**O. R. TAMBO DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2011

	Note	30 June 2011 R	30 June 2010 R	
<b>ASSETS</b>		<b>208 684 907</b>	<b>109 917 421</b>	
<b>Current Assets</b>				
Cash and cash equivalents	5	143 857 420	64 979 050	78 878 370
Trade receivables from exchange transactions	6	16 710 240	11 903 678	4 806 562
Obligations under transfer arrangements		-	7 485 104	(7 485 104)
Inventories	7	13 080 243	11 774 893	1 305 350
Other receivables from exchange transactions	8	2 736 324	1 333 130	1 403 194
VAT receivable	14	32 300 680	12 441 566	19 859 115
<b>Non-Current Assets</b>		<b>3 821 254 398</b>	<b>3 557 297 290</b>	
Intangible assets	9	1 571 952	3 784 461	263 957 107
Investment property		2 200 000	2 200 000	(2 212 509)
Infrastructure, property, plant and equipment	10	3 807 433 998	3 541 519 583	265 914 415
Biological assets	11	10 048 447	9 793 246	255 201
<b>Total Assets</b>		<b>4 029 939 305</b>	<b>3 667 214 711</b>	362 724 593
<b>LIABILITIES</b>				
<b>Current Liabilities</b>		<b>219 409 574</b>	<b>237 171 243</b>	
Trade and other payables from exchange transactions	12	119 010 052	236 701 065	(17 761 669)
Consumer deposits	13	678 997	184 297	(117 691 013)
Suspense Accounts (to be cleared)		19 725 138	-	494 700
Obligations under transfer arrangements	15	79 804 092	-	19 725 138
Finance lease liability	16	191 295	285 881	79 804 092
<b>Non-current Liabilities</b>		<b>548 922</b>	<b>991 512</b>	(94 586)
Finance lease liability	16	548 922	991 512	-
<b>Total liabilities</b>		<b>219 958 496</b>	<b>238 162 755</b>	(442 590)
<b>NET ASSETS</b>		<b>#VALUE!</b>	<b>3 429 051 956</b>	<b>#VALUE!</b>
Reserves		102 621 815	102 621 524	291
Accumulated surplus		#VALUE!	3 326 430 432	#VALUE!
<b>Total net assets</b>		<b>#VALUE!</b>	<b>3 429 051 956</b>	<b>#VALUE!</b>

**O. R. TAMBO DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
for the period ended 30 June 2011

	Note	30 Jun 2011 R
<b>REVENUE</b>		
<b>Revenue from exchange transactions</b>		<b>#VALUE!</b>
Service charges	17	#VALUE!
<b>Revenue from non-exchange transaction</b>		<b>1 007 800 122</b>
Public contributions and donations	20	-
Government grants & subsidies	19	1 007 800 122
Rental income		36 420
Other income	20	68 689 338
Finance income- Investment	18	18 638 056
Finance income- Other	18	17 846 655
<b>Total income</b>		<b>#VALUE!</b>
<b>EXPENDITURE</b>		
Employee Related Costs	21	179 201 544
Remuneration of councillors	21	8 358 781
Debt impairment		55 179 130
Depreciation and amortisation	22	134 590 019
Impairment loss	29	-
Repairs and maintenance		27 739 463
Finance expense	23	91 301
Bulk purchases	24	24 907 983
Contracted services	25	5 678 151
Grants and subsidies paid	26	43 071 724
General expenses	27	#VALUE!
<b>Total expenses</b>		<b>#VALUE!</b>
Gain on sale of assets	28	230 468
Increase in fair value of biological assets	30	1 631 915
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>#VALUE!</b>

**30 Jun 2010**

R

**88 971 927**

88 971 927

**910 934 977**

200 000

910 734 977

20 866

63 518 091

8 373 488

13 554 135

**1 085 373 485**

136 061 258

7 647 044

37 335 458

137 973 864

4 667 081

8 290 086

8 727 605

40 625 668

6 020 301

81 029 342

505 045 864

**973 423 571**

508 411

1 288 185

**113 746 509**

O R TAMBO DISTRICT MUNICIPALITY STATEMENT OF CHANGES IN NET ASSETS for the period ended 30 June 2011						
	Asset Financing Fund	Revaluation Reserve R	Government Grant Reserve R	Total: Reserves R	Accumulated Surplus/(Deficit) R	Total: Net Assets R
<b>Balance at 30 June 2010</b>		<b>0</b>	<b>68 329 926</b>	<b>34 291 598</b>	<b>102 621 524</b>	<b>3 326 430 432</b>
Prior year adjustments	33	0	-	-	-	2 178 125
<b>Restated amount as at 30 June 2010</b>		<b>0</b>	<b>68 329 926</b>	<b>34 291 598</b>	<b>102 621 524</b>	<b>3 328 608 558</b>
Other movement in reserves		291				291
Surplus on revaluation of property of property, plant and equipment						-
Capital grants used to purchase Property Plant and Equipment						-
Offsetting of depreciation						-
Surplus for the year					#VALUE!	#VALUE!
		<b>291</b>	<b>68 329 926</b>	<b>34 291 598</b>	<b>102 621 815</b>	<b>#VALUE!</b>

Draft

**O R TAMBO DISTRICT MUNICIPALITY**  
**CASH FLOW STATEMENT**  
for the period ended 30 June 2011

	30 June 2011 R	30 June 2010 R
	<u>Note</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts:		
Sales of goods and services	#VALUE!	914 970 639
Grants	#VALUE!	56 938 497
Interest received	937 936 512	785 931 446
Other receipts	18 638 056	8 373 488
	68 725 758	63 727 207
Payments:		
Employee costs	#VALUE!	(753 481 809)
Suppliers	(190 996 125)	(122 410 721)
Interest paid	#VALUE!	(679 534)
Other payments	91 301	(20 585 342)
	-	-
<b>Cash generated by / (utilised in) operations</b>	<b>31</b>	<b>#VALUE!</b>
		<b>161 488 830</b>
Interest earned		-
Finance costs	(91 301)	-
<b>Net cash flows from operating activities</b>		<b>#VALUE!</b>
		<b>161 488 830</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(328 397 541)	(170 399 290)
Purchase of intangible assets	(27 826)	(275 549)
Purchase of biological assets	142 500	(168 325)
Proceeds on disposal of biological assets and produce	1 607 552	1 474 758
		-
Proceeds from insurance	46 941	11 750
Proceeds from bursary	-	90 434
<b>Net cash flows from investing activities</b>	<b>(326 628 374)</b>	<b>(169 266 222)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of finance lease liability	(263 757)	(55 093)
Advances on Consumer deposits	494 700	182 197
<b>Net cash flows from financing activities</b>	<b>230 943</b>	<b>127 104</b>
<b>Net decrease in net cash and cash equivalents</b>	<b>#VALUE!</b>	<b>(7 650 288)</b>
<b>Net cash and cash equivalents at beginning of period</b>	<b>64 979 050</b>	<b>72 629 338</b>
<b>Net cash and cash equivalents at end of period</b>	<b>32</b>	<b>#VALUE!</b>
		<b>64 979 050</b>

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Cash received from service charges	#VALUE!
Gross revenue	#VALUE!
Add: debtors beg	174 898 969
Less: debtors end	(33 942 824)
	(208 841 794)
Grants received	<b>937 936 512</b>
Gross	1 007 800 122
Less in kind paid to mgeni water board by DWAF	(69 863 610)
Other receipts	<b>68 725 758</b>
Rental income	36 420
Other income less insurance proceeds	68 689 338
Public contributions and donations	-
Interest received	18 638 056
Total receipts	<b>#VALUE!</b>
Payments : salaries	<b>190 996 125</b>
Gross employee costs	187 560 325
Leave payment made	3 899 151
Add bonus accruals beg of year	4 011 110
Less bonus accruals end of year	(4 474 461)
Payments: suppliers & other	<b>#VALUE!</b>
Gross payments	<b>#VALUE!</b>
Less gross salaries	(187 560 325)
Less non cash items:	
-Debt impairment	(55 179 130)
-Depreciation and amortisation	(134 590 019)
-Impairment loss	-
Trade payables : beg	214 391 245
Trade payables : end	(92 651 279)
Payments received in advance	121 739 965
Provisions	-
Other creditors	-
VAT : beg	(12 441 566)
VAT : end	19 859 115
Obligations under transfer arrangements: beg	32 300 680
Obligations under transfer arrangements:end	(7 485 104)
Obligations under transfer arrangements: beg	-
Obligations under transfer arrangements:end	(79 804 092)
Other debtors : beg	(1 333 130)
Other debtors :end	2 736 324
Inventory : beg	(11 774 893)
Inventory : end	13 080 243
Accruals	(19 725 138)
Finance costs	(91 301)
Total payments	<b>#VALUE!</b>
	<b>#VALUE!</b>
	#VALUE!

**O.R.TAMBO DISTRICT MUNICIPALITY****Annual Financial Statements for the year ended 30 June 2011****Accounting Policies****1. Reporting entity**

O.R. Tambo District Municipality ("the municipality") is a local government institution in Mthatha in the Eastern Cape. The address of its registered office, principal place of business and its principal activities are disclosed under "General information" in the annual report.

**2. Significant accounting policies****2.1 Statement of compliance**

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board.

The annual financial statements were authorised for issue on 31 August 2011.

**2.2 Basis of measurement**

The annual financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Biological assets are measured at fair value less estimated point-of-sale costs;
- Investment property is measured at fair value.
- Farm land and buildings are carried at revalued amounts

Accounting policies for material transactions, events or conditions not covered by the Standards of GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 Accounting policies, changes in accounting estimates and errors. These accounting policies and the applicable disclosures have been based on International Public Sector Accounting Standards (IPSAS) and the South African Statements of Generally Accepted Accounting Practice (SA GAAP), including any interpretations of such statements issued by the Accounting Practices Board.

The following significant accounting policies had been applied consistently during the current and previous reporting period.

**2.3 Going concern assumption**

The annual financial statements have been prepared on a going concern basis.

**2.4 Functional and presentation currency**

These annual financial statements are presented in South African Rand, which is the municipality's functional currency. All financial information has been rounded to the nearest rand.

**O.R.TAMBO DISTRICT MUNICIPALITY****Annual Financial Statements for the year ended 30 June 2011****Accounting Policies (continued)****2.5 Offsetting**

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.  
Revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

**2.6 Use of estimates and judgements**

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the annual financial statements as well as assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included below.

**Accounting estimates and judgements****Key sources of estimation uncertainty****Impairment of trade and other receivables**

The impairment of the municipality's trade and other receivables is based on incurred losses in accordance with the requirements of IAS 39. The historical loss experience of the municipality, based on observable data through the passage of time, is used to estimate the impairment of trade and other receivables. Any changes in the payment status of customers in a specific group or national or local economic conditions that correlate with defaults on the assets in the group will have an impact on the impairment of trade and other receivables.

**Allallowance for slow moving, damaged and obsolete stock**

Management has made estimates of the selling price and direct cost to sell of certain inventory items to calculate the allowance to write stock down to the lower of cost or net realisable value.

**Fair value estimation**

Buildings and farm land are stated at revalued amounts based on valuation techniques and market information. The actual value of these items could differ from those estimated. Refer to note 10. Investment property is measured at fair value amounts based on valuation techniques and market information. The actual value of these items could differ from those estimated.

**O.R.TAMBO DISTRICT MUNICIPALITY**

**Annual Financial Statements for the year ended 30 June 2011**

**Accounting Policies****Accounting estimates and judgements (continued)****Biological asset valuations**

The fair value less estimated point-of-sale costs used to value biological assets in note 11 requires management to make certain assumptions which are subject to change. The current assumptions are as follows:

- Cattle are valued at the prevailing market rates, as determined by breed, genetic merit and age less point of sale costs.
- Fruit trees are valued by way of an arms length transaction that would have been applied / prevailing in replacing the existing fruit trees with new fruit trees

**Critical judgements in applying accounting policies****Depreciation and the carrying value of items of property, plant and equipment**

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated remaining useful lives of items of property, plant and equipment will have an impact on the carrying value of these items.

**Determination of the recoverable amount of cash-generating assets**

Where impairment indicators exist, the determination of the recoverable amount of assets or cash generating units require management to make assumptions to determine the fair value less costs to sell. Key assumptions on which management has based its determination of fair values less costs to sell include projected revenues, earnings multiple, capital expenditure and market share. The judgements, assumptions and methodologies used can have a material impact on the fair value and ultimately the amount of the impairment.

**Determination of the recoverable service amount of non-cash generating assets**

Where impairment indicators exist, the determination of the recoverable service amount of non-cash generating assets requires management to make assumptions to determine the fair value less costs to sell and the value in use based on the depreciated replacement cost approach. Key assumptions include the current replacement cost of non-cash generating assets and assumptions about the age of non-cash generating assets to determine the depreciated replacement cost.

**2.7 Infrastructure, property, plant and equipment****Initial recognition and measurement**

Items of infrastructure, property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses except for farm land and buildings which, when revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

**O.R.TAMBO DISTRICT MUNICIPALITY****Annual Financial Statements for the year ended 30 June 2011****Accounting Policies**

The revaluation surplus relating to a specific item of infrastructure, property and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

**2.7 Property, infrastructure and equipment (continued)**

Where an item of property, infrastructure and equipment is acquired in exchange for a non-monetary asset or a combination of monetary and non-monetary assets, the cost of the asset acquired is initially measured at fair value. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset given up.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is however debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

**Farm land**

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

**Subsequent cost**

The cost of replacing a part of an item of property, infrastructure and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits or service potential associated with the item will flow to the municipality and the cost or fair value of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of the day-to-day servicing of property, infrastructure and equipment are recognised in surplus or deficit as incurred.

**Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation commences when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100 *Non-current assets held for sale and discontinued operations*. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

Depreciation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of each part of an item of property, infrastructure and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

**O.R.TAMBO DISTRICT MUNICIPALITY****Annual Financial Statements for the year ended 30 June 2011****Accounting Policies****2.7 Property, infrastructure and equipment (continued)**

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the municipality will obtain ownership by the end of the lease term.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

The useful lives for the current and previous financial year are as follows:

Item	Estimated useful life
<b>Land and buildings</b>	
• Farm land	Not depreciated
• Other land	Not depreciated
• Buildings	30 - 40 years
<b>Infrastructure assets</b>	
• Roads	3 - 67 years
• Water	5 - 15 years
• Sewerage	15 - 50 years
• Storm water drains	5 - 100 years
<b>Other assets</b>	
• Office equipment	3 - 7 years
• Furniture and fittings	7 years
• Motor vehicles	5 - 7 years
• Security systems	5 - 7 years
• Parking area	5 years
• Park homes	15 years
• Infrastructure and equipment	7 - 12 years
• Tools and equipment	10 years
• Emergency equipment	15 years
• Computer equipment	3 - 7 years
<b>Leased</b>	
• Office equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Assets leased under operating leases, except for property interests held by the municipality as investment property, are not recognised in the statement of financial position.

**O.R.TAMBO DISTRICT MUNICIPALITY****Annual Financial Statements for the year ended 30 June 2011****Accounting Policies****2.7 Infrastructure, property and equipment (continued)****Spare parts**

Major spare parts and servicing equipment qualify as property, infrastructure and equipment when the municipality expects to use them during more than one period. Similarly if the major spare parts and servicing equipment can be used only in connection with an item of property, infrastructure and equipment, they are accounted for as infrastructure, property and equipment. Depreciation commences when the Major spare parts is available for use.

**Derecognition**

An item of property, infrastructure and equipment is derecognised on disposal or when no future economic benefits or service potential is expected from its continued use or disposal.

Gains and losses on disposal of an item of property, infrastructure and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, infrastructure and equipment, and are recognised net within other income in surplus or deficit.

**Leased assets**

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Upon initial recognition of assets leased under finance leases, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

The depreciation expense for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, infrastructure and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

**O.R.TAMBO DISTRICT MUNICIPALITY****Annual Financial Statements for the year ended 30 June 2011****Accounting Policies****2.8 Heritage assets****Recognition and initial measurement**

Heritage assets are assets that are normally held indefinitely for their unique cultural, environmental, historical, natural, scientific, technological or artistic significance for the benefit of future generations.

Certain heritage assets are described as "inalienable items" meaning that assets which are retained indefinitely by the municipality and cannot be disposed of without consent as required by law or otherwise.

On the date of initial recognition, heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, the cost is its fair value as at the date of acquisition.

**Subsequent measurement****Cost model**

After recognition as an asset, a class of heritage assets are carried at its cost less any accumulated impairment losses.

**Depreciation**

Heritage assets are not depreciated. The municipality assesses at each reporting date whether there is any indication that a heritage asset may be impaired.

**Derecognition**

The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

**2.9 Intangible assets****Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in surplus or deficit when incurred.

Intangible assets that are acquired by the municipality and have finite useful lives are initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

**O.R.TAMBO DISTRICT MUNICIPALITY****Annual Financial Statements for the year ended 30 June 2011****Accounting Policies****2.9 Intangible assets (continued)**

Where an intangible asset is acquired at no cost, or for a nominal cost, the cost is deemed to be its fair value as at the date of acquisition.

**Subsequent expenditure**

Expenditure on intangible assets shall be recognised as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria. All other expenditure, including expenditure on internally generated goodwill and customer lists, is recognised in surplus or deficit as incurred.

**Amortisation**

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits or service potential embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Item	Useful life
Computer software	3 years
Ward based database	3 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**2.10 Investment property**

Investment property is property held either to earn rental income or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes, or
- sale in the ordinary course of business.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes and is therefore not investment property.

Property leased at less than commercial rates to achieve service delivery is held in production of services and is therefore not investment property.

Investment property is initially recognised at cost and subsequently measured at fair value. Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

**O.R.TAMBO DISTRICT MUNICIPALITY****Annual Financial Statements for the year ended 30 June 2011****Accounting Policies****2.10 Investment property (continued)**

The fair value of investment properties is determined at the reporting date by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The valuations are based on the value of similar properties in the market.

**Fair value**

Investment property is subsequently measured at fair value with any change therein recognised in surplus or deficit.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

**Disposal**

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property are calculated as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

**2.11 Biological assets**

Biological assets are measured at their fair value less point-of-sale costs. A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs is included in surplus or deficit for the period in which it arises.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of the tree plantations is based on an arms' length transaction that would have been applied/prevaling in replacing the existing tree plantations with trees of a similar age and fruit bearing capacity.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value.

**O.R.TAMBO DISTRICT MUNICIPALITY****Annual Financial Statements for the year ended 30 June 2011****Accounting Policies****2.12 Financial instruments****Classification**

The municipality classifies financial instruments, or their component parts, on initial recognition as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement.

**Non-derivative financial assets**

The municipality initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

The municipality derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the municipality is recognised as a separate asset or liability.

The municipality has the following classes and categories of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Class of financial asset	IAS 39 category
Trade and other receivables from exchange transactions (consumer debtors)	Loans and receivables
Cash and cash equivalents	Loans and receivables

**Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less an allowance for impairment losses.

Interest is levied on past due consumer debtors at a market related rate.

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. Bank overdrafts that are repayable on demand and form an integral part of the municipality's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**O.R.TAMBO DISTRICT MUNICIPALITY**

**Annual Financial Statements for the year ended 30 June 2011**

**Accounting Policies****2.12 Financial instruments (continued)****Non-derivative financial liabilities**

The municipality initially recognises financial liabilities, on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

The municipality derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

The municipality has the following classes of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

- . Trade and other payables from exchange transactions
- . Bank overdraft
- . Consumer deposits

The above financial liabilities form part of the "other financial liabilities carried at amortised cost" category per IAS 39 and are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

**2.13 Inventories****Cost**

The cost of inventories comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition. Where inventories are acquired at no cost, or for nominal consideration, the cost is deemed to be the fair value as at the date of acquisition. Cost is determined using the first-in-first-out principle except where stated otherwise.

The cost of agricultural produce harvested from biological assets is initially measured at fair value less estimated point of sale costs.

**Subsequent measurement**

Consumable stores and maintenance materials are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge;
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

Redundant and slow-moving inventories are identified and written down to net realisable value.

**O.R.TAMBO DISTRICT MUNICIPALITY****Annual Financial Statements for the year ended 30 June 2011****Accounting Policies****2.13 Inventories (continued)**

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

**Water inventory**

Water inventory consist of:

- . Raw water (raw materials);
- . Water in purification process (work in progress); and
- . Clean water (Finished goods).

The cost of water inventory includes the cost of buying water, cost incurred in maintaining that water as well as the cost of chemicals and labour used to maintain and clean the water to its usable state. Cost of water inventory is determined on a first-in-first-out basis.

Water inventory is initially measured at cost. Where inventory is acquired at no cost, cost is deemed to be the fair value as at the date of acquisition.

Water inventory is only recognised once the municipality can demonstrate that it controls the water, it is probable that future economic benefits or service potential will flow to the municipality and the cost can be measured reliably. Control over water commences once it enters the purification process, or the O.R. Tambo infrastructure.

The water levels in reservoir are based on cubic meter capacity taking into account the capacity of the reservoir, based on land surveying reports and the curve of the reservoir.

Readings of Raw water levels are taken at year-end, which is quantified using the cost of Raw water at acquisition.

Water and purified effluent are measured at the lowest of purified cost and net realisable value in so far as it is stored and controlled in reservoirs at year-end.

**Biological inventory**

Cost is equal to fair value at date of harvest.

**2.14 Impairment****Financial assets**

A financial asset, carried at amortised cost, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the municipality on terms that the municipality would not consider otherwise and indications that a debtor or issuer will enter bankruptcy.

**O.R.TAMBO DISTRICT MUNICIPALITY****Annual Financial Statements for the year ended 30 June 2011****Accounting Policies****2.14 Impairment (continued)**

The municipality considers evidence of impairment at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. A report on the various categories of customers is drafted to substantiate the impairment evaluation. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the municipality uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in surplus or deficit and reflected in an allowance account against receivables. If impaired financial assets are written off, the write off is made against the allowance account. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit, subject to the restriction that the carrying amount of the financial instrument shall not exceed what the amortised cost would have been had the impairment not been recognised.

**Non-financial assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-oriented entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

**Cash generating assets**

The carrying amounts of the municipality's cash generating non-financial assets, other than inventories and biological assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs. For the purpose of impairment testing, assets are therefore grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using

**O.R.TAMBO DISTRICT MUNICIPALITY****Annual Financial Statements for the year ended 30 June 2011****Accounting Policies****2.14 Impairment (continued)**

a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in surplus or deficit. Impairment losses are recognised against the revaluation reserve to the extent that it relates to a revalued item of property, plant or equipment.

Impairment losses recognised in respect of cash-generating units are allocated on a pro rata basis to reduce the carrying amounts of the other assets in the unit. The allocation of impairment losses to assets in a cash generating unit may not reduce the carrying amount of such assets below the highest of its fair value less costs to sell, value in use and zero.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of its recoverable amount and the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

Any reversal of an impairment loss of a revalued item of property, plant or equipment is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in surplus or deficit, a reversal of that impairment loss is recognised in surplus or deficit.

**Non-cash-generating assets**

The carrying amounts of the municipality's non-cash generating assets are reviewed at each reporting date to determine whether there is any indication of impairment. A non-cash-generating asset is impaired when the carrying amount of the asset exceeds its recoverable service amount. The recoverable service amount is the greater of an asset's fair value less costs to sell and its value in use.

The value in use of a non-cash-generating asset is the present value of the non-cash-generating asset's remaining service potential.

The value in use of the remaining service potential of a non-cash-generating asset is determined using the following approach:

**Depreciated replacement cost approach** - The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the

**O.R.TAMBO DISTRICT MUNICIPALITY****Annual Financial Statements for the year ended 30 June 2011****Accounting Policies****2.14 Impairment (continued)**

reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable service amount.

Impairment losses are recognised in surplus or deficit.

Impairment losses are recognised against the revaluation reserve to the extent that it relates to a revalued item of property, plant or equipment.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable service amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Any reversal of an impairment loss of a revalued item of property, plant or equipment is treated as a revaluation increase where appropriate. However, to the extent that an impairment loss on the same revalued asset was previously recognised in surplus or deficit, a reversal of that impairment loss is recognised in surplus or deficit.

**2.15 Revenue****Revenue from exchange transactions**

Revenue is generally recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits or service potential can be measured reliably, except when specifically stated otherwise.

Revenue from the rendering of services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts.

**Services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- . the amount of revenue can be measured reliably;
- . it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- . the stage of completion of the transaction at the reporting date can be measured reliably; and
- . the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

**O.R.TAMBO DISTRICT MUNICIPALITY**

**Annual Financial Statements for the year ended 30 June 2011**

**Accounting Policies****Revenue from exchange transactions (continued)****Service charges**

Service charges relating to distribution of water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made on a monthly basis when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as an increase or decrease in revenue in the invoicing period. Estimates of consumption between meter readings are based on average consumption for the preceding three months.

Service charges from sewerage and sanitation services are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council. Revenue is recognised on a monthly basis.

**Interest earned**

Interest income is recognised in surplus or deficit as it accrues, using the effective interest method. Interest earned on unutilised conditional grants is recognised as an unspent conditional grants liability if the grant conditions indicate that interest is payable to the grantor.

**Rentals received**

Rental income from operating leases is recognised on a straight line basis over the lease term.

**Tariff charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff.

**Revenue from non-exchange transactions**

Revenue from exchange transactions includes revenue from trading activities and other services provided while revenue from non-exchange transactions includes rates levied, donations and grants from other spheres of government.

Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, the amount of the revenue can be measured reliably and, if applicable, there has been compliance with the relevant legal requirements or restrictions.

**O.R.TAMBO DISTRICT MUNICIPALITY****Annual Financial Statements for the year ended 30 June 2011****Accounting Policies****Revenue from non-exchange transactions (continued)****Donations and contributions**

Revenue from donations is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and any restrictions associated with the donation have been met.

Revenue from donations is measured at the fair value of the consideration received or receivable which is the cash amount received or where the donation is in the form of property, plant and equipment, the fair value of the property, plant and equipment received or receivable.

**Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the definition and recognition criteria of an asset has been met.

**Unconditional grants and receipts**

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached restrictions, the grants are recognised as revenue in the reporting period in which the recognition criteria are met.

**Conditional grants and receipts**

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

Interest earned on investments is treated in accordance with grant conditions. If interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the statement of financial performance.

**Gifts and donations, including goods in-kind**

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

**Services in-kind**

Services in-kind are not recognised.

**2.16 Provisions**

A provision is recognised if, as a result of a past event, the municipality has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**O.R.TAMBO DISTRICT MUNICIPALITY****Annual Financial Statements for the year ended 30 June 2011****Accounting Policies****2.16 Provisions (continued)**

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwind of the discount is recognised as a finance cost.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

**Onerous contracts**

A provision for onerous contracts is recognised when the expected benefits to be derived by the municipality from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

**Reimbursements**

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

**Restructurings**

A provision for restructuring is recognised when the municipality has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly.

**2.17 Employee benefits****Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

**Defined contribution plans**

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

**O.R.TAMBO DISTRICT MUNICIPALITY****Annual Financial Statements for the year ended 30 June 2011****Accounting Policies****2.17 Employee benefits (continued)**

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees, unless another standard requires or permits the inclusion of the contribution in the cost of an asset. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after end of the period in which the employees render the related service, they are discounted using a risk-free rate determined by reference to market yields at the reporting date on government bonds, or by reference to market yields on high quality corporate bonds.

**2.18 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

**Lease payments - Finance leases**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

**Lease payments - Operating leases**

Operating lease payments are recognised in surplus or deficit on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

**O.R.TAMBO DISTRICT MUNICIPALITY**

**Annual Financial Statements for the year ended 30 June 2011**

**Accounting Policies****2.18 Leases (continued)****Operating leases - municipality as lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

**2.19 Borrowing costs**

Borrowing costs are capitalised in respect of qualifying assets that necessarily take a substantial period to get ready for their intended use.

If the carrying amount of the qualifying asset exceeds its recoverable amount or recoverable service amount, an impairment loss is recognised for the excess amount.

Borrowing costs that are not capitalised are recognised as an expense in surplus or deficit.

**2.20 Donations and grants in aid**

The municipality transfers money to individuals, organisations and other sectors of government from time to time.

When making these transfers, the municipality does not:

- . Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- . Expect to be repaid in future; or
- . Expect a financial return, as would be expected from an investment.

These transfers are recognised as expenses in surplus or deficit in the period that the events giving rise to the transfer occur.

**2.21 Tax****Value added tax (VAT)**

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

**2.22 Unauthorised expenditure**

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the statement of financial performance unless it meets the definition and recognition criteria of an asset.

**O.R.TAMBO DISTRICT MUNICIPALITY****Annual Financial Statements for the year ended 30 June 2011****Accounting Policies****2.23 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000) and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the municipality's supply chain management policies. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable if the definition and recognition criteria of an asset are met, until it is recovered or written off as irrecoverable.

**2.24 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as a receivable in the statement of financial position if the definition and recognition criteria of an asset are met, until such expenditure is recovered or written off as irrecoverable.

**2.25 Comparative figures**

When the presentation or classification of items in the annual financial statements are amended, comparative amounts are reclassified. The nature and amounts of reclassifications as well as the reasons are disclosed in note 41.

**2.26 Revaluation reserve**

The surplus arising from the revaluation of property, infrastructure and equipment is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus or deficit while gains or losses on disposal, based on revalued amounts, are recognised in the statement of financial performance.

**2.27 Finance income and expenses**

Finance income comprises interest income on funds invested in call accounts, positive bank balances as well as interest charged on debtors outstanding more than 30 days. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method.

Finance expenses comprise interest expense on bank overdrafts and finance lease liabilities, changes in the fair value of financial assets at fair value through surplus or deficit and impairment losses recognised on financial assets. Borrowing costs are recognised in surplus or deficit using the effective interest method.

**2.28 Budget information**

The municipality's budget and the financial statements have been prepared on an accrual basis in accordance with GRAP.

**O.R.TAMBO DISTRICT MUNICIPALITY****Annual Financial Statements for the year ended 30 June 2011****Notes to the Annual Financial Statements****3. New standards and interpretations****3.1 Standards issued and not yet effective**

The following standards expected to be applicable and relevant to the municipality when they become effective have been issued, but are not yet effective:

The GRAP standards will be applied by the municipality from the effective dates stated below. Some of the effective dates are yet to be determined by the Minister of Finance. The International Financial Reporting Standards will be applied from the effective date as indicated below.

**GRAP 18: Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a

distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

**Anticipated impact on annual financial statements**

This standard will not impact the amounts recognised in the financial statements. Additional disclosure is however required, which includes segment revenue and expenses as well as the carrying amount of segment assets and liabilities. The effective date of the standard has not yet been determined by the Minister of Finance.

**GRAP 20 : Related Parties Disclosures****GRAP 23: Revenue from Non-exchange Transactions (Taxes and Transfers)**

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability and recognise an amount equal to that reduction as revenue.

**Anticipated impact on annual financial statements**

GRAP 23 contains additional guidance on conditions, restrictions and stipulations which may result in revenue being recognised at a different stage as under GAMAP 9.

For conditional grants, a liability will generally only be recognised if stipulations, that meet the definition of a condition, exist on the use of the resources received and it is required to repay any funds not utilised in accordance with those conditions (based on enforceable right), while under GAMAP 9 a liability would be recognised if restrictions existed regardless of the requirement to repay the funds if it is not utilised. The standard is effective for financial years commencing on or after 1 April 2012.

**GRAP 105 : Transfer of Functions Between Entities Under Common Control****GRAP 106 : Transfer of Functions Between Entities Not Under Common Control****GRAP 107 : Mergers**

**O.R.TAMBO DISTRICT MUNICIPALITY**

**Annual Financial Statements for the year ended 30 June 2011**

**Notes to the Annual Financial Statements**

**3. New standards and interpretations (continued)**

**GRAP 24: Presentation of Budget Information**

The municipality is required to present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where the municipality prepares its budget and annual financial statements on a comparable basis, it is required to include the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

**Anticipated impact on annual financial statements**

Although the municipality currently presents budget information in terms of the legislative provisions, additional disclosure is required in terms of GRAP 24.

The standard will however not impart the measurement of figures presented in the annual financial statements and will only result in additional detail being disclosed in relation to the budget. The standard is effective for financial years commencing on or after 1 April 2012.

**GRAP 103: Heritage Assets**

Heritage assets are assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. Certain heritage assets are described as inalienable items, which mean that they are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset is recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Heritage assets are recognised at cost unless they are acquired through a non-exchange transaction, in which case they are recognised at their fair value as at the date of acquisition. The municipality has a choice between the cost and revaluation model as an accounting policy for subsequent measurement and is required to apply the chosen policy to an entire class of heritage assets.

Heritage assets are subsequently carried at their cost or revalued amount less accumulated impairment. These assets are not depreciated.

**O.R.TAMBO DISTRICT MUNICIPALITY****Annual Financial Statements for the year ended 30 June 2011****Notes to the Annual Financial Statements****4. New standards and interpretations (continued)****Anticipated impact on annual financial statements**

The existing heritage assets of the municipality are accounted for in accordance with the accounting policy on heritage assets. Refer to note 2.8. This policy is in line with the principles listed above. The future adoption of GRAP 103 is therefore not expected to have a significant impact. The standard is effective for financial years commencing on or after 1 April 2012.

**GRAP 21: Impairment of non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets. When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss on a revalued non-cash-generating asset is treated as a revaluation decrease.

**Anticipated impact on the annual financial statements**

No material impact is expected. The requirements of GRAP 21 are similar to the requirements of IAS 36 Impairment of assets and IPSAS 21 Impairment of non cash-generating assets applied by the municipality during the current financial year. The municipality's current accounting policy is also aligned with the principles listed above. The standard is effective for financial years commencing on or after 1 April 2012.

**GRAP 26: Impairment of cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return. When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, a municipality should estimate the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and a municipality should apply the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss on a revalued cash-generating asset is treated as a revaluation decrease.

**O.R.TAMBO DISTRICT MUNICIPALITY****Annual Financial Statements for the year ended 30 June 2011****Notes to the Annual Financial Statements****4. New standards and interpretations (continued)****Anticipated impact on annual financial statements**

No material impact. Requirements of GRAP 26 are similar to the requirements of IAS 36 Impairment of assets applied by the municipality during the current financial year. The standard is effective for financial years commencing on or after 1 April 2012.

**GRAP 25: Employee benefits**

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP 25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions. The standard also includes detailed requirements to be applied in the accounting for:

- Post-employment benefits;
- Other long-term employee benefits; and
- Termination benefits

**Anticipated impact on annual financial statements**

Requirements of GRAP 25 are similar to the requirements of IAS 19 Employee Benefits applied by the municipality during the current financial year except for the fact that GRAP 25 requires actuarial gains and losses to be recognised in full in the year that they occur and past service costs to be recognised as an expense in the reporting period in which the plan is amended. No material impact is expected from these changes as the municipality does not have any defined benefit plans. The effective date of the standard has not yet been determined by the Minister of Finance.

**GRAP 104: Financial Instruments**

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that result in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument.

Residual interests entitle an entity to a portion of another entity's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

The standard contains further detailed guidance on the initial recognition, measurement and subsequent measurement of financial instruments and mainly distinguishes between those financial instruments carried at fair value and those at amortised cost.

**O.R.TAMBO DISTRICT MUNICIPALITY****Annual Financial Statements for the year ended 30 June 2011****Notes to the Annual Financial Statements****4. New standards and interpretations (continued)****Anticipated impact on the annual financial statements**

The municipality does not have any financial instruments currently measured at fair value, and the application of GRAP 104 is therefore not expected to result in any significant reclassifications. No significant changes are expected to presentation and disclosure. The effective date of the standard has not yet been determined by the Minister of Finance.

**IFRS 7: Financial Instruments: Disclosures - Amendments to disclosures**

IFRS 7 is amended to add an explicit statement that the qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. The existing disclosure requirements of IFRS 7 are amended as follows:

IFRS 7 is amended to state that clarification that disclosure of the amount that best represents an entity's maximum exposure to credit risk is required only if the carrying amount of a financial asset does not reflect such exposure already.

Additional requirement to disclose the financial effect of collateral held as security and other credit enhancements in respect of a financial instrument. An example of such disclosure is quantification of the extent to which credit risk is mitigated by the collateral and other credit enhancements obtained. This disclosure is in addition to the existing requirement to describe the existence and nature of such collateral.

IFRS 7 is amended to clarify that disclosure in respect of collateral taken possession off by the entity is required only in respect of such collateral held at the end of the reporting period.

The following requirements have been removed from IFRS 7:

Disclosure of the carrying amount of financial assets that would have been past due or impaired if their terms had not been renegotiated.

Disclosure of the description and fair value of collateral held as security and other credit enhancements in respect of financial assets that are past due but not impaired and in respect of financial assets that are individually determined to be impaired.

Additionally, the clause stating that quantitative disclosures are not required when a risk is not material has been removed from IFRS 7. The general materiality considerations continue to apply to all disclosures required by IFRS 7 in the same way as they apply to other IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2011.

The amendments will be adopted by the municipality for the first time for its financial reporting period ending 30 June 2012.

**Anticipated impact on annual financial statements**

The amendments will mainly impact the municipality's qualitative disclosures with regards to financial instruments. There will be no impact of the figures reported by the municipality. GRAP 104 will supersede these amendments as it will replace the disclosure requirements for financial instruments.

**O.R. TAMBO DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the period ended 30 June 2011**

30 June 2011

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**5 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

**Bank balances**

Cash and bank	13 549 377
Call deposits	130 308 043
	<b>143 857 420</b>

The Municipality has the following bank accounts: -

**Current Account (Primary Bank Account)**

First National Bank, York Road: Account Number 53990137772

Cash book balance at beginning of year	1 608 228
Cash book balance at end of year	<b>13 539 721</b>
Bank statement balance at beginning of year	49 260 977

Bank statement balance at end of the year

	<b>25 983 037</b>
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**(Other Account - credit card)**

First National Bank, York Road: Account Number 881271004736000

Cash book balance at beginning of year	5 344
Cash book balance at end of year	<b>5 344</b>
Bank statement balance at beginning of year	3 088

Bank statement balance at end of year

	<b>2 169</b>
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**Current Account - petty cash**

First National Bank, York Road: Account Number 621428618881

Cash book balance at beginning of year	1 656
Cash book balance at end of year	<b>4 312</b>
Bank statement balance at beginning of year	-

Bank statement balance at end of year

	<b>829</b>
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**Total cash and cash equivalents**

	<b>143 857 420</b>
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**Total bank overdraft**

	-
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**O.R. TAMBO DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the period ended 30 June 2011

**TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS**

6	<b>Gross Balances</b>	<b>Allowance for impairment losses</b>
6.1 <u>Trade receivables</u>	R	R
<b>30-Jun-11</b>		
Service debtors		
Water	170 059 420	(165 778 216)
Sewerage	38 931 674	(26 353 338)
<b>Total</b>	<b>208 841 794</b>	<b>(192 131 554)</b>

**30-Jun-10**

Service debtors	110 876 051	(103 329 768)
Water	64 022 918	(59 665 523)
<b>Total</b>	<b>174 898 969</b>	<b>(162 995 291)</b>

**30 June 2011**

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**Service Debtors: Ageing**

Current (0 – 30 days)	20 260 406
31 - 60 Days	11 800 915
61 - 90 Days	8 612 868
91 - 120 Days	8 215 854
121 - 365 Days	88 564 412
+ 365 Days	74 466 975
<b>Total</b>	<b>211 921 431</b>

Service debtors contain an amount of R2 933 841 that has been received in advance from some of the municipality's consumer debtors. To comply with basic disclosure norms this amount has been disclosed under creditors. Accordingly, therefore, this amount accounts for the difference between total service debtors and the age analysis.

**Summary of Debtors by Customer Classification****Consumers****Industrial / Commercial**

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**30-Jun-11**

Current (0 – 30 days)	10 233 889	3 093 655
31 - 60 Days	7 382 340	1 548 953
61 - 90 Days	4 896 180	1 142 777
91 - 120 Days	4 835 518	977 825
121 - 365 Days	67 538 993	10 804 066
+ 365 Days	66 018 287	4 030 850
<b>Sub-total</b>	<b>159 330 585</b>	<b>20 802 340</b>
Less: Provision for doubtful debts	(117 120 969)	(24 716 548)
<b>Total debtors by customer classification</b>	<b>42 209 616</b>	<b>(3 914 208)</b>

**30-Jun-10**

Current (0 – 30 days)	9 167 385	3 304 752
31 - 60 Days	4 110 561	1 630 682
61 - 90 Days	3 392 968	1 013 117
91 - 120 Days	3 399 797	1 085 927
121 - 365 Days	50 428 560	10 399 940
+ 365 Days	54 121 565	3 978 917
<b>Sub-total</b>	<b>124 620 836</b>	<b>21 413 333</b>
Less: Provision for doubtful debts	(116 139 178)	(19 955 842)
<b>Total debtors by customer classification</b>	<b>8 481 658</b>	<b>1 457 492</b>

**O.R. TAMBO DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the period ended 30 June 2011**

**30 June 2011**

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**Statutory Debtors: Ageing**

+ 365 Days

8 448 688

In accordance with the annual fiscal budgeting proclamations levies were repealed with effect from 01 July 2006, hence the relatively slow recovery rate.

**Summary of Debtors by Customer Classification**

**Industrial / Commercial**

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**30-Jun-11**

+ 365 Days

4 030 850

**30-Jun-10**

+ 365 Days

3 978 917

**6.2 Reconciliation of the doubtful debt provision**

Balance at beginning of the year

162 995 291

Reversal of incorrect entry

-

Total contribution to provision

29 135 262

Contributions to provision: trade debtors

55 179 130

Contributions to provision: other debtors

-26 043 868

Doubtful debts written off against provision

192 130 553

Reversal of provision

Balance at end of year

**Trade receivables impaired**

As of 30 June 2011, trade and other receivables of R192 131 554 - (2010: R162 995 291) were impaired and provided for. The net increase of the provision was R29 136 263 as at 30 June 2011 (2010: net increase of R37 335 458). This was after an amount of R26 043 868 was written off as irrecoverable as approved by council.

The fair value of trade receivables approximates their carrying amounts.

**O.R. TAMBO DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the period ended 30 June 2011

30 June 2011

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**7 INVENTORIES****Opening balance of inventories:**

Consumable stores and Maintenance materials - at cost	<b>11 774 893</b>
Water	9 375 202
	2 399 691

**Additions:**

Consumable stores	3 388 976
Water	-

**Adjustments**

Water	(2 083 626)
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**Issued (expensed):**

Consumable stores	-
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**Closing balance of inventories:**

Consumable stores and Maintenance materials	<b>13 080 243</b>
Water	12 764 178
	316 065

30 June 2011

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**8 OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS****CURRENT**

Car loans	51 445
Staff loans	-
Other receivables	4 711 155
Less: Provision for doubtful debts	(2 026 276)
<b>Total</b>	<b>2 736 324</b>

**CAR LOANS**

These are loans that were originally given to employees in 2006, payable within three years at no interest. The above employees are no longer working for the Municipality. Efforts are being made through the legal department to collect the amount owed.

**STAFF LOANS**

Staff loans comprise interest-free study loans granted to employees. As a means to provide an incentive for employees to further their studies and training the municipality has a scheme whereby employees who are successful on their studies (pass rate on courses registered for per academic year) are not required to pay back the study loan and any amounts that would have been recovered from the employees through the payroll are paid back to them.

**O.R. TAMBO DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the period ended 30 June 2011

**9 INTANGIBLE ASSETS**

Reconciliation of carrying value	Computer Software R	Ward based database R
<b>As at 1 July 2010</b>	<b>549 671</b>	<b>3 234 790</b>
Cost	2 640 630	5 063 150
Accumulated amortisation and impairment losses	(2 090 959)	(1 828 360)
Acquisitions	27 826	-
Amortisation	(552 618)	(1 687 717)
<b>As at 30 June 2011</b>	<b>24 879</b>	<b>1 547 073</b>
Cost	2 668 456	5 063 150
Accumulated amortisation and impairment losses	(2 643 577)	(3 516 077)
<b>As at 1 July 2009</b>	<b>983 027</b>	<b>4 922 507</b>
Cost	2 369 906	5 063 150
Correction of error: cost (note 32)	(4 824)	-
Correction of error: accumulated amortisation (note 32)	3 216	-
Accumulated amortisation and impairment losses	(1 385 271)	(140 643)
Acquisitions	275 548	-
Amortisation	(708 904)	(1 687 717)
<b>As at 30 June 2010</b>	<b>549 671</b>	<b>3 234 790</b>
Cost	2 640 630	5 063 150
Accumulated amortisation and impairment losses	(2 090 959)	(1 828 360)

30 June 2010  
R

1 621 690  
63 357 360  
64 979 050

33 367 570  
1 608 228  
33 339 219  
49 260 977

13 271  
5 344  
8 465  
3 088

(222)  
1 656  
(222)  
-  
64 979 050  
-

**Net Balance**  
R

4 281 204
12 578 336
<b>16 710 240</b>

7 546 283
4 357 395
<b>11 903 678</b>

**30 June 2010**  
R

18 458 793
8 165 112
5 730 106
5 637 735
67 975 051
68 932 133
<b>174 898 929</b>

**National and Provincial  
Government**

R

6 932 862
2 869 622
2 573 911
2 402 511
10 221 262
4 417 838
<b>28 854 573</b>
(47 200 603)
<b>(18 346 030)</b>

5 986 657
2 423 868
1 324 022
1 152 011
7 146 551
10 831 651
<b>28 864 760</b>
(26 900 232)
<b>1 964 528</b>

**30 June 2010**

R

14 810 568

**National and Provincial  
Government**

R

4 417 838

10 831 651

**30 June 2010**

R

127 867 409  
-2 207 575  
37 335 458

 37 335 458

-

-

-

162 995 291

**30 June 2010**  
R

<b>10 525 311</b>
531 301
9 994 010

<b>22 580 666</b>
22 580 666
-

(7 594 319)
-------------

<b>20 671 572</b>
20 671 572

<b>11 774 893</b>
9 375 202
2 399 691

**30 June 2010**  
R

51 445
67 105
3 137 181
(1 922 601)
<b>1 333 130</b>

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**Total**  
**R**

<b>3 784 461</b>
7 703 780
(3 919 319)

27 826  
(2 240 335)

<b>1 571 952</b>
7 731 606
(6 159 654)

<b>5 905 534</b>
7 433 056
(4 824)
3 216
(1 525 914)

275 548  
(2 396 621)

<b>3 784 461</b>
7 703 780
(3 919 319)

**O.R. TAMBO DISTRICT MUNICIPALITY**  
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**10 INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT**

10.1	<b>Reconciliation of Carrying Value</b>	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
		R	R	R	R	R	R	R	R
<b>01 July 2010</b>									
Cost/Revaluation		<b>39 404 387</b>	<b>111 340 206</b>	<b>4 951 247 376</b>	-	<b>90 000</b>	<b>83 215 972</b>	<b>1 575 266</b>	<b>5 186 873 207</b>
Opening balance		39 404 387	111 340 206	4 951 247 376	-	90 000	83 215 972	1 575 266	5 186 873 207
Reclassification of Assets									
Correction of error									
Accumulated depreciation and impairment losses		(3 654 386)	(10 595 628)	(1 583 254 994)	-	-	(47 173 554)	(675 062)	(1 645 353 624)
Opening balance		(3 654 386)	(10 595 628)	(1 583 254 994)	-	-	(47 173 554)	(675 062)	(1 645 353 624)
Reclassification of Assets									
Correction of error									
Acquisitions- Municipality		8 100 459	28 845 116			7 206 555	-	44 152 130	
Acquisitions- Dwaf donated									-
Revaluations									-
Capital under Construction-Municipality			284 245 411					284 245 411	
Capital under Construction-DWAF donated			69 863 610					69 863 610	
Other adjustments									-
Depreciation			(122 373 720)			(9 727 230)	(245 786)	(132 346 736)	
Carrying value of disposals		-	-	-	-	-	-	-	-
Cost/Revaluation									
Accumulated depreciation and impairment losses									
(Impairment loss)/Reversal of impairment loss									
Transfers									
Other movements*									
<b>30 June 2011</b>		<b>35 750 001</b>	<b>108 845 037</b>	<b>3 628 572 799</b>	-	<b>90 000</b>	<b>33 521 743</b>	<b>654 418</b>	<b>3 807 433 998</b>
Cost/Revaluation		39 404 387	119 440 665	5 334 201 513	-	90 000	90 422 527	1 575 266	5 585 134 358
Accumulated depreciation and impairment losses		(3 654 386)	(10 595 628)	(1 705 628 714)	-	-	(56 900 784)	(920 848)	(1 777 700 360)

**O.R. TAMBO DISTRICT MUNICIPALITY**  
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For the period ended 30 June 2011

10.2	<b>Reconciliation of Carrying Value</b>	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
		R	R	R	R	R	R	R	R
	<b>01 July 2009</b>	<b>35 500 001</b>	<b>85 114 425</b>	<b>3 218 854 952</b>	-	<b>180 000</b>	<b>36 247 756</b>	<b>209 387</b>	<b>3 376 106 521</b>
	Cost/Revaluation	39 154 387	92 349 992	4 678 886 621	-	90 000	74 028 578	693 476	4 885 203 054
	Opening balance	47 945 554	92 349 992	4 570 855 037	-	90 000	73 442 325	667 316	4 785 350 224
	Reclassification of Assets	(8 791 167)	-	-	-	-	-	-	(8 791 167)
	Correction of error	-	-	108 031 584	-	-	586 253	26 160	108 643 997
	Accumulated depreciation and impairment losses	(3 654 386)	(7 235 567)	-1 460 031 669	-	-	(37 780 822)	(484 089)	(1 509 186 533)
	Acquisitions - Municipality	-	294 162	26 071 196	-	-	9 187 394	881 790	36 434 542
	Acquisitions - Dwaf donated	-	-	32 271 223	-	-	-	-	32 271 223
	Revaluations	250 000	6 217 333	-	-	-	-	-	6 467 333
	Capital under Construction - Municipality	-	12 478 719	121 486 028	-	-	-	-	133 964 748
	Capital under Construction - DWAF donated	-	-	92 532 307	-	-	-	-	92 532 307
	Other adjustments	-	-	-	-	-	-	-	-
	Depreciation	-	(3 006 726)	(123 223 325)	-	-	(9 156 219)	(190 973)	(135 577 243)
	Carrying value of disposals	-	-	-	-	-	-	-	-
	Cost/Revaluation	-	-	-	-	-	-	-	-
	Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
	(Impairment loss)/Reversal of impairment loss	-	(353 335)	-	-	(236 513)	-	(589 848)	
	Transfers	-	-	-	-	-	-	-	-
	Other movements*	-	-	-	-	-	-	-	-
	<b>30 June 2010</b>	<b>35 750 001</b>	<b>100 744 578</b>	<b>3 367 992 382</b>	-	<b>90 000</b>	<b>36 042 418</b>	<b>900 203</b>	<b>3 541 519 583</b>
	Cost/Revaluation	39 404 387	111 340 206	4 951 247 376	-	90 000	83 215 972	1 575 266	5 186 873 207
	Accumulated depreciation and impairment losses	(3 654 386)	(10 595 628)	(1 583 254 994)	-	-	(47 173 554)	(675 062)	(1 645 353 624)

Refer to Appendices B and C for more detail on Infrastructure, property, plant and equipment.

#### Details of valuation

The effective date of the revaluations was 30 June 2011. Revaluations were performed by independent professional valuers, Mr Charl Kruger (National Diploma in Property Valuers), Gesina de Sousa independent candidate valuer, Letlaka Ndamase and Valuers, an independent professional associated valuer (Valuation Network Property Valuers and Consultants). Valuation Network Property Valuers and Consultants is not connected to the entity.

Land and buildings are re-valued independently every 5 years. The valuation was performed using the market value method and the following assumptions were used: The income capitalisation approach used to value income producing properties and it is based on the assumption that the purchaser will pay no more for a property with a certain income flow with similar risks and benefits than for an investment elsewhere. The net income stream is converted into a present value through the capitalisation process. The capitalisation rate of return which will be required by the owner form an investment if that investment were fully let to tenants paying market related rentals with market escalation rates.

O.R. TAMBO DISTRICT MUNICIPALITY  
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**O.R. TAMBO DISTRICT MUNICIPALITY**  
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**11 BIOLOGICAL ASSETS**

11.1 Reconciliation of Carrying Value	Trees in plantation R	Cows R	Bulls R	Calves R	Heifers R	Steers R	Total R
<b>as at 1 July 2010</b>							
Cost/Valuation	5 940 000	1 458 555	191 424	257 450	1 349 759	596 058	9 793 246
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
Newborn calves during the year	-	-	-	142 500	-	-	142 500
Purchases	-	-	-	-	-	-	-
Decrease due to harvest/sales	-	(543 120)	(235 584)	(1 900)	(4 560)	(591 920)	(1 377 084)
Decrease due to deaths	-	(122 640)	(36 810)	(2 850)	(36 480)	(3 920)	(202 700)
Decrease due to loss	-	-	(7 362)	-	(4 560)	-	(11 922)
Gains from changes in fair value	396 000	581 862	127 972	232 800	-	-	1 338 634
Losses from changes in fair value	-	-	-	-	(262 279)	(211 898)	(474 177)
Transfers of calves to steers and heifers	-	223 380	368 100	45 600	501 600	556 640	1 695 320
Transfers from calves (weaned)	-	(109 500)	-	(258 400)	(291 840)	(196 000)	(855 740)
<b>as at 30 June 2011</b>							
Cost/Valuation	6 336 000	1 488 537	407 740	415 200	1 251 640	148 960	10 048 077
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-

**O.R. TAMBO DISTRICT MUNICIPALITY**  
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**O.R. TAMBO DISTRICT MUNICIPALITY**  
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**11 BIOLOGICAL ASSETS**

**11.1 Reconciliation of Carrying Value**

	Trees in plantation R	Cows R	Bulls R	Calves R	Heifers R	Steers R	Total R
<b>as at 1 July 2009</b>	<b>4 950 000</b>	<b>2 677 091</b>	<b>189 985</b>	<b>111 500</b>	<b>1 036 464</b>	<b>617 692</b>	<b>9 582 732</b>
Cost/Valuation	4 950 000	2 677 091	189 985	111 500	1 036 464	617 692	9 582 732
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
Newborn calves during the year	-	-	-	96 000	-	-	96 000
Purchases	-	-	168 325	-	-	-	168 325
Decrease due to harvest/sales	-	(358 934)	-	-	-	(607 413)	(966 347)
Decrease due to deaths	-	(275 450)	(19 998)	(8 500)	(7 027)	(13 428)	(324 403)
Decrease due to donations	-	(51 247)	-	-	-	-	(51 247)
Gains from changes in fair value	990 000	-	-	561 481	309 782	226 862	2 128 125
Losses from changes in fair value	-	(693 052)	(146 888)	-	-	-	(839 940)
Transfers of calves to steers and heifers	160 146	-	-	10 540	332 345	503 031	503 031
Transfers from calves (weaned)	-	-	-	(503 031)	-	-	(503 031)
<b>as at 30 June 2010</b>	<b>5 940 000</b>	<b>1 458 555</b>	<b>191 424</b>	<b>257 450</b>	<b>1 349 759</b>	<b>596 058</b>	<b>9 793 246</b>
Cost/Valuation	5 940 000	1 458 555	191 424	257 450	1 349 759	596 058	9 676 619
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-

**O.R. TAMBO DISTRICT MUNICIPALITY**  
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**11.2 Operations and Principal Activities**

The Adam Kok farms are utilised both for livestock production and for the production of fruit. On 30 June 2011, the farm held 207 Cows, 38 Bulls, 192 Calves being raised to be Steers and Heifers being respectively 332 Heifers and 38 Steers. The livestock is valued at fair market value (valued by Sworn Appraiser) less point of sale costs.

A mass plantation of peach and apple fruit trees are held for the production of fruit, covering a total area of 18 hectares

**O.R. TAMBO DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11.3 Non-financial information****Quantities of each biological asset**

	Trees in plantation R	Cows R	Bulls R	Calves R	Heifers R	Steers R	Total R
<b>as at 1 July 2010</b>	<b>19 800</b>	<b>333</b>	<b>26</b>	<b>271</b>	<b>296</b>	<b>98</b>	<b>20 824</b>
Trees	19 800	-	-	-	-	-	19 800
Livestock	-	333	26	271	296	98	1 024
Additions	-	-	-	-	-	-	-
Newborn calves during the year	-	-	-	150	-	-	150
Purchases	-	-	-	-	-	-	-
Decrease due to harvest/sale	-	(124)	(32)	(2)	(1)	(151)	(310)
Decrease due to death	-	(28)	(5)	(3)	(8)	(1)	(45)
Decrease due to donations	-	-	(1)	-	(1)	-	(2)
Transfers of calves to steers and heifers	-	51	50	48	110	142	401
Transfers from calves (weaned)	-	(25)	-	(272)	(64)	(50)	(411)
<b>as at 30 June 2011</b>	<b>19 800</b>	<b>207</b>	<b>38</b>	<b>192</b>	<b>332</b>	<b>38</b>	<b>20 607</b>
Trees	19 800	-	-	-	-	-	19 800
Livestock	-	207	38	192	332	38	807

**11.4 Biological assets pledged as security**

No biological assets were pledged as security.

**11.5 Assets carried at cost and accumulated depreciation and impairment losses**

Biological assets are carried at fair value.

**11.6 Methods and assumptions used in determining the fair value**

Cattle are valued at the prevailing market rates, as determined by breed, genetic merit and age less point of sale costs. Fruit trees are valued by way of on arms length transaction that would have been applied / prevailing in replacing the existing fruit trees with new fruit trees

**11.7 Output of agricultural produce**

2011                  2010

Agricultural produce for the year  
There was no output of agricultural produce for the year

**11.8 Biological assets that died during the year**

	Cows	Bulls	Calves	Heifers	Steers	Total
Rand value	(122 640)	(36 810)	(2 850)	(36 480)	(3 920)	(202 700)
Quantities	(28)	(5)	(3)	(8)	(1)	(45)

Most of the biological assets died due to ill-health ranging from pneumonia, liver flu, wire worm, red water and dystonia.

**11.9 Financial risk management**

The municipal tree plantations are exposed to the risk of damage from climatic changes, diseases, fires and other natural forces. The municipality has processes in place aimed at monitoring and mitigating those risks, including regular inspections and pest and disease control.

O.R. TAMBO DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
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 NOTES THE FINANCIAL STATEMENTS  
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	30 June 2011 R	30 June 2010 R
<b>12 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Financial liabilities measured at cost	<b>92 651 279</b>	<b>214 391 245</b>
Trade payables	92 651 279	211 484 734
Payments received in advance	-	2 906 511
Provisions	<b>26 358 772</b>	21 996 270
Provision for Bonus	4 474 461	4 011 110
Provision for Leave	21 884 311	17 985 160
Other accounts payable	-	313 551
<b>Total creditors</b>	<b>119 010 052</b>	<b>236 701 065</b>

The fair value of trade and other payables approximates their carrying amounts.

**13 CONSUMER DEPOSITS**

Consumer deposits	<b>678 997</b>	<b>184 297</b>
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**14 VAT RECEIVABLE/(payable)**

VAT receivable	<b>32 300 680</b>	<b>12 441 566</b>
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VAT is payable on a payment basis. VAT is paid over to SARS only when payment is received from debtors.

**15 OBLIGATIONS UNDER TRANSFER ARRANGEMENTS**

**15.1 Unspent Conditional Grants from other spheres of Government**

MIG Grants	-69 077 513	30 530 575
Other	-10 726 579	(23 045 471)
<b>Total Unspent Conditional Grants and Receipts</b>	<b>(79 804 092)</b>	<b>7 485 104</b>

**O.R. TAMBO DISTRICT MUNICIPALITY**  
**NOTES THE FINANCIAL STATEMENTS**  
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**15.2 Conditions and restrictions**

See note 20 for the reconciliation of grants and receipts. These amounts are invested in ring-fenced investments until utilised.

**16 FINANCE LEASE LIABILITY**

30 June 2011	Up to 1 Year	2 to 5 Years	Total
Amounts payable under finance leases	R	R	R
Minimum Lease Payments	262 272	629 614	891 886
Finance Costs	<u>(70 977)</u>	<u>(80 692)</u>	<u>(151 669)</u>
Present Value	<u>191 295</u>	<u>548 922</u>	<u>740 217</u>
Less: Amount due for settlement within 12 months (current portion)			
			191 295
			<u>548 922</u>

The average lease term is 5 years. The lease agreements neither provide the nominal nor the effective interest rates, accordingly, internal rates of return applicable to each lease were determined and accordingly applied to amortise each of the respective lease repayments. Therefore, the average effective borrowing rate (internal rate of return) is 22.68%. The majority of these leases have fixed repayment terms. The agreements do not provide for contingent rental payments. None of the leased equipment's ownership will pass to the municipality at the end of the respective lease terms.

30 June 2010	Up to 1 Year	1 to 5 Years	Total
Amounts payable under finance leases	R	R	R
Minimum Lease Payments	381 722	1 157 716	1 539 438
Finance Costs	<u>(95 841)</u>	<u>(166 204)</u>	<u>(262 045)</u>
Present Value	<u>285 881</u>	<u>991 512</u>	<u>1 277 393</u>
Less: Amount due for settlement within 12 months (current portion)			
			285 881
			<u>991 512</u>

The average lease term is 5 years. The lease agreements neither provide the nominal nor the effective interest rates, accordingly, internal rates of return applicable to each lease were determined and accordingly applied to amortise each of the respective lease repayments. Therefore, the average effective borrowing rate (internal rate of return) is 22.68%. The majority of these leases have fixed repayment terms. The agreements do not provide for contingent rental payments. None of the leased equipment's ownership will pass to the municipality at the end of the respective lease terms.

**O.R. TAMBO DISTRICT MUNICIPALITY****NOTES THE FINANCIAL STATEMENTS**

For the period ended 30 June 2011

	30 June 2011 R	30 June 2010 R
<b>17 SERVICE CHARGES</b>		
Sale of water	#VALUE!	74 437 544
Sewerage and sanitation charges	11 558 775	15 424 100
Less: Interest on discounting	(149 300)	(889 717)
<b>Total Service Charges</b>	<b>#VALUE!</b>	<b>88 971 927</b>
<b>18 FINANCE INCOME</b>		
Interest income on external investment	18 638 056	8 373 488
Interest on outstanding receivables	17 846 655	13 554 135
<b>Total interest</b>	<b>36 484 710</b>	<b>21 927 623</b>
<b>19 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	406 208 524	324 579 554
MIG Grant	491 556 182	458 036 544
Other Government Grants and Subsidies	92 418 639	74 743 730
Grant in aid income	17 616 777	53 375 149
<b>Total Government Grants and Subsidies</b>	<b>1 007 800 122</b>	<b>910 734 977</b>
<b>19.1 Equitable Share</b>		
In terms of the Constitution, this, amongst other grants, is used to subsidise the provision of basic services to the district's communities. In this regard, the district's service beneficiaries (water supply customers) receive an allocation of 6 kilolitres of free water a day. This translates to a subsidy of R21.60 per month (2010: R21,60), which is funded from this grant. Furthermore a part of service delivery, the District Municipality carts water to the urban and rural areas throughout the district.		
<b>19.2 MIG Grant</b>		
Balance unspent at beginning of year	(30 530 576)	28 612 718
Current year receipts	570 955 000	400 000 000
Conditions met - transferred to revenue	(471 346 912)	(459 143 294)
<b>Conditions still to be met - remain liabilities</b>	<b>69 077 512</b>	<b>(30 530 576)</b>

In terms of MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to the National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects. The municipality reports that at year end, all unspent conditional grants were committed to identifiable projects.

**O.R. TAMBO DISTRICT MUNICIPALITY****NOTES THE FINANCIAL STATEMENTS****For the period ended 30 June 2011**

	<b>30 June 2011</b> R	<b>30 June 2010</b> R
<b>19.3 Other Government Grants and Subsidies</b>		
Balance unspent at beginning of year	6 566 449	30 567 035
Prior year error	(2 589 612)	95 974
Current year receipts	60 535 507	105 941 987
Conditions met - transferred to revenue	(75 238 924)	(130 038 547)
<b>Conditions still to be met - remain liabilities</b>	<b>10 726 580</b>	<b>6 566 449</b>

**19.4 Grant in aid income**

Grant in aid income represents the value of Water Infrastructure constructed by the Department of Water Affairs & Forestry during the current year for the Municipality.

<b>17 616 777</b>	<b>14 748 311</b>
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**19.5 Changes in levels of government grants**

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2010), the following significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

	<b>2012</b> R	<b>2013</b> R	<b>2014</b> R
Financial management grant	1 250 000	1 250 000	1 500 000
Municipal systems improvement grant	790 000	800 000	850 000
Equitable share	416 223 000	445 252 250	475 317 670
Municipal infrastructure grant	562 773 000	684 281 000	721 916 000
Water services operating and transfer subsidy	15 569 000	17 268 000	5 000 000
	<b>996 605 000</b>	<b>1 148 851 250</b>	<b>1 204 583 670</b>

O.R. TAMBO DISTRICT MUNICIPALITY  
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**20 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS**

	30 June 2011 R	30 June 2010 R
<b>20.1 OTHER INCOME</b>		
Sundry revenue	348 607	920 561
Tender documents	507 006	716 161
Commission received	60 224	76 184
Deposits	-	-
Farm operations	-	-
Overpayment	396 000.00	-
Insurance proceeds	-	11 750
VAT refund (MFMA Circular No.48 Implementation)	67 377 502	61 793 435
Proceeds received due to under-declaration	-	-
<b>Total</b>	<b>68 689 338</b>	<b>63 518 091</b>
<b>20.2 Public contributions and donations</b>		
Public contributions - Unconditional	-	200 000
<b>Total public contributions and donations</b>	<b>-</b>	<b>200 000</b>
<b>Total Other Income</b>	<b>68 689 338</b>	<b>63 718 091</b>
<b>Reconciliation of conditional contributions</b>		
<b>Balance unspent at beginning of year</b>	-	-
Current year receipts	-	200 000
Conditions met - transferred to revenue	-	(200 000)
<b>Conditions still to be met - remain liabilities</b>	<b>-</b>	<b>-</b>

No public contribution was received during the 2011 financial year (2010 : R200 000).

**O.R. TAMBO DISTRICT MUNICIPALITY****NOTES THE FINANCIAL STATEMENTS****For the period ended 30 June 2011**

	30 June 2011 R	30 June 2010 R
<b>21 EMPLOYEE BENEFITS</b>		
<b>21.1 EMPLOYEE RELATED COSTS</b>		
Salaries and wages	111 787 436	84 138 430
Contributions for UIF, pensions and medical aids	21 914 184	16 631 625
Travel, motor car and other allowances	18 723 518	17 405 855
Housing benefits	6 926 912	4 836 509
Overtime	3 957 330	3 309 133
Bonus (13th cheque)	7 943 594	6 359 923
Performance bonuses	(220)	-
Provision for leave pay	7 738 740	3 379 783
Salary Costs (DWAF)	210 050	-
<b>Total employee costs excluding councillors</b>	<b>179 201 544</b>	<b>136 061 258</b>
<b>DWAF salaries</b>		
Remuneration of the Municipal Manager		
Annual Remuneration	817 559	948 674
Car Allowance	314 603	75 600
Leave Pay	64 429	33 831
UIF	1 497	1 497
<b>Total</b>	<b>1 198 088</b>	<b>1 025 771</b>
Remuneration of the Chief Finance Officer		
Annual Remuneration	683 098	626 622
Car Allowance	314 601	314 603
Leave pay	228 458	33 831
UIF	1 497	1 497
<b>Total</b>	<b>1 227 653</b>	<b>976 553</b>
Remuneration of the Strategic Director - Corporate Services		
Annual Remuneration	781 517	867 591
Car Allowance	120 000	120 000
Contributions to UIF, Medical and Pension Funds	185 715	1 497
<b>Total</b>	<b>1 087 232</b>	<b>989 088</b>
Remuneration of the Strategic Director - Planning and Socio-Economic Affairs		
Annual Remuneration	1 013 731	924 591
Car Allowance	72 000	72 000
UIF	1 497	1 497
<b>Total</b>	<b>1 087 228</b>	<b>998 088</b>

**O.R. TAMBO DISTRICT MUNICIPALITY****NOTES THE FINANCIAL STATEMENTS**

For the period ended 30 June 2011

**21.1 EMPLOYEE RELATED COSTS(continued)**

	<b>30 June 2011</b> R	<b>30 June 2010</b> R	
<b>Remuneration of the Internal Audit Manager</b>			
Annual Remuneration	853 698	797 225	
Car Allowance	144 000	144 000	
Leave Pay	112 302	35 657	
UIF	1 497	1 497	
<b>Total</b>	<b>1 111 498</b>	<b>978 379</b>	
<b>Remuneration of Director - Municipal Operations &amp; Reporting</b>			
Annual Remuneration	804 494	69 254	
Car Allowance	193 204	193 204	
Leave Pay	308 405	-	
UIF	1 497	1 497	
<b>Total</b>	<b>1 307 600</b>	<b>263 955</b>	
<b>Remuneration of Council Secretary</b>			
Annual Remuneration	773 298	765 859	
Car Allowance	120 000	120 000	
Leave Pay	-	33 560	
Contributions to UIF, Medical and Pension Funds	105 897	1 497	
<b>Total</b>	<b>999 195</b>	<b>920 916</b>	
<b>Remuneration of Political Advisor</b>			
Annual Remuneration	1 100 608	948 674	
Car Allowance	75 600	75 600	
Leave Pay	142 173	-	
UIF	1 497	1 497	
<b>Total</b>	<b>1 319 878</b>	<b>1 025 772</b>	
<b>Remuneration of Director - Office of the Executive Mayor</b>			
Annual Remuneration	453 817	626 622	
Car Allowance	151 272	314 603	
Cell phone allowance	35 964	-	
Leave Pay	-	35 657	
UIF	1 497	1 497	
<b>Total</b>	<b>642 550</b>	<b>978 379</b>	
<b>Remuneration of Individual Executive Directors</b>			
	<b>Technical Services</b> R	<b>Corporate Services</b> R	<b>Community Services</b> R
<b>2011</b>			
Annual Remuneration	869 861	383 305	758 679
Leave pay	124 257	56 048	37 792
Travel, motor car, accommodation, subsistence and other allowances	134 149	121 442	241 177
Contributions to UIF, Medical and Pension Funds	1 497	873	1 497
<b>Total</b>	<b>1 129 763</b>	<b>561 668</b>	<b>1 039 145</b>
<b>REMUNERATION OF COUNCILLORS</b>			
Executive Mayor	605 089	574 004	
Speaker	305 826	270 231	
Mayoral Committee members	4 155 671	3 948 128	
Councillors	3 281 232	2 854 681	
Councillors - other	10 963	-	
<b>Total Councillors' Remuneration</b>	<b>8 358 781</b>	<b>7 647 044</b>	

**O.R. TAMBO DISTRICT MUNICIPALITY****NOTES THE FINANCIAL STATEMENTS****For the period ended 30 June 2011****21.1 EMPLOYEE RELATED COSTS(continued)****30 June 2011****R****30 June 2010****R****In-kind Benefits**

The Executive Mayor and Executive Committee Members are full-time. The new Speaker which was elected on the 18 May 2011 is also full-time, the previous Speaker was part-time. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor is provided with personal body guards.

The Executive Mayor is entitled to stay at the mayoral residence owned by the Council at less than market related rate. The Executive Mayor has use of the Council owned vehicle for official duties.

**22 DEPRECIATION AND AMORTISATION EXPENSE**

Property, plant and equipment	132 349 684	135 577 243
Intangible assets	2 240 335	2 396 621
<b>Total Depreciation and Amortisation</b>	<b>134 590 019</b>	<b>137 973 864</b>

**23 FINANCE COSTS**

Finance lease	91 301	447 998
Interest on DWAF	-	8 279 607
	<b>91 301</b>	<b>8 727 605</b>

**24 BULK PURCHASES**

Water	24 907 983	40 625 668
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**25 CONTRACTED SERVICES**

Contracted services for:		
Cleaning services	-	249 807
Security services	5 678 151	5 770 494
<b>Total contracted services</b>	<b>5 678 151</b>	<b>6 020 301</b>

**O.R. TAMBO DISTRICT MUNICIPALITY****NOTES THE FINANCIAL STATEMENTS****For the period ended 30 June 2011****26 GRANTS AND SUBSIDIES PAID**

Ntinga O.R. Tambo Development Agency *	43 029 203	80 205 211
Municipal support **	8 520	305 277
Support to Traditional Authorities	34 000	518 854
	<b>43 071 724</b>	<b>81 029 342</b>

\* Ntinga O.R. Tambo Development Agency is an entity of the municipality responsible for the Economic Development objectives of the municipality. Accordingly and as a means to enable it to fulfil its mandate, it is recipient of allocated grant funding from the District Municipality.

\*\* The District Municipality supported three of its local municipalities namely: Mhlontlo Local Municipality, Ingquza Hill Local Municipality and Port St Johns Local Municipality.

**O.R. TAMBO DISTRICT MUNICIPALITY****NOTES THE FINANCIAL STATEMENTS****For the period ended 30 June 2011**

	<b>30 June 2011</b> R	<b>30 June 2010</b> R
<b>27 GENERAL EXPENSES</b>		
Included in general expenses are the following:-		
Conditional grant expenditure	202 605 083	355 274 179
2010 Sports development programme	-	681 221
Advertising	518 377	424 899
Assessment rates	1 308 665	734 011
Audit committee allowances	75 166	97 430
Audit fees	2 618 025	2 582 703
Bank charges	783 212	1 144 631
Ceremonial function	329 000	11 809
Child protection services	74 448	54 939
Cleaning	753 606	299 101
Communication	714 510	1 638 404
Community participation and road shows	708 054	455 042
Conferences and delegations	289 060	864 622
Consulting fees	5 366 414	5 877 137
Corporate expenditure	86 291	313 412
Corporate gifts	45 813	41 890
Council receptions/expenses	550 449	410 417
District sports council	68 954	251 179
Employee assistance programme	119 877	25 300
Entertainment	65 467	
Farm operations	3 245 549	266 007
Financial academic assistance	1 842 178	971 521
Free basic services	529 982	30 541 322
Group life assurance scheme	999 308	1 601 212
Hire - equipment and machinery	2 280 400	1 942 431
Hiv and Aids (Inkciyo Practice)	516 934	1 647 054
Hiv and Aids awareness	1 084 061	-
Housing projects - launches	13 842	102 938
Insurance	1 156 902	1 058 708
Interest and penalties	123	-
Inter-governmental relations	165 968	2 735 769
International relations	-	11 400
Internship programme	1 034 151	1 436 646
Investment conference	-	3 825
Community training	1 102 250	-
Legal expenses	551 550	424 189
License fees	2 576 842	2 222 650
Mandela month	-	41 699
Mayoral reception fund	32 211	-
Mayor's IMBIZO	1 609 598	1 399 287
Mayor's sectoral engagement	1 514 391	117 216
Membership fees	12 503	13 452
Mfundisweni road	-	-
Moral regeneration programmes	49 904	108 596
<b>Sub-total carried forward</b>	<b>237 399 117</b>	<b>417 828 249</b>

**O.R. TAMBO DISTRICT MUNICIPALITY**  
**NOTES THE FINANCIAL STATEMENTS**  
For the period ended 30 June 2011

27 GENERAL EXPENSES (continued)	30 June 2011 R	30 June 2010 R
Sub-total brought forward	237 399 117	417 828 249
Municipal health services	1 100 816	-
Office rental	214 366	131 590
O.R. Tambo month	1 331 779	3 439 836
Other operational expenditure	#VALUE!	10 062 102
Postage	140 792	177 508
Poverty relief programme	2 655 014	4 933 644
Primary health care	115 943	159 924
Printing and stationery	2 886 937	1 968 716
Protective clothing	613 485	54 279
Public transport	243 189	104 200
Relocation costs	61 618	5 250
Revenue generation and enhancement	-	8 000
Safety and security program	110 357	511 865
SALGA fees	1 303 136	1 261 314
Scientific disaster management	212 247	
Skills development and capacity building	231 713	813 990
SMME Development programme	553 309	
Social relief programme	491 156	349 615
Sports, arts, culture and heritage	565 871	241 979
Spus - children	1 079 491	2 105 671
Spus - old age	90 048	350 236
Spus - physically challenged	104 379	243 685
Spus - women	348 732	258 012
Spus - youth	669 269	598 253
Stocks and material	-	6 363 713
Travel and subsistence	4 923 015	5 662 395
Taxi programme assistance	-	25 000
Telephone cost	4 126 193	4 486 123
Tourism marketing	37 114	346 737
Tourism education and awareness	1 121 438	366 923
Transfer of sports facilities	666 922	208 628
Vehicle fuel and oil	7 307 616	6 021 681
Village water committees	14 998 191	13 184 161
VIP Protection unit	550 254	3 295 308
Waste management	3 127 569	3 109 917
Water plant hire	-	
Water purification chemicals	8 505 247	12 009 941
Water quality monitoring	101 680	2 892 650
Water services operating and transfer	-	-
Water week event	-	-
Waterfall park school	-	-
Whippery support	1 039 229	269 062
Workmen's Compensation Fund	798 794	-
Workplace training	258 110	676 854
Ward based planning	81 422	-
	<b>#VALUE!</b>	<b>505 045 864</b>

No extraordinary expenses were included in general expenses

**O.R. TAMBO DISTRICT MUNICIPALITY**  
**NOTES THE FINANCIAL STATEMENTS**  
For the period ended 30 June 2011

	30 June 2011 R	30 June 2010 R
<b>28 GAIN ON SALE OF ASSETS</b>		
Biological assets	1 607 552	1 474 758
Cost of sale	(1 377 084)	(966 347)
<b>Total Gain on Sale of Assets</b>	<b>230 468</b>	<b>508 411</b>
<b>29 IMPAIRMENT LOSS</b>		
<b>Property, plant and equipment</b>		
In the current year, land and buildings and plant and equipment were revalued to determine the fair value and the recoverable value, this in compliance with the statement on Property, Plant and Equipment. Some assets subject to this revaluation, returned assets that had the fair values less than the carrying value, thus indicating that such assets had been impaired. Accordingly, such impairment was recognised immediately to bring the previously reported carrying values to the fair value / recoverable amount.		
	-	<b>4 667 081</b>
<b>30 INCREASE IN FAIR VALUE OF BIOLOGICAL ASSETS</b>		
Gains from changes in fair value	1 338 634	2 128 126
Losses from changes in fair value	(474 177)	(839 940.13)
<b>31 CASH GENERATED FROM / (UTILISED IN) OPERATIONS</b>	<b>864 457</b>	<b>1 288 185</b>
Surplus for the year	#VALUE!	113 746 509
Adjustment for:-		
Prior year adjustment		-
Depreciation and amortization	134 590 019	137 973 864
Gain on disposal of biological assets	(230 468)	(508 411)
Provision for leave pay	(3 899 151)	3 379 783
Finance costs	91 301	-
Fair value adjustments	(1 631 915)	(1 288 185)
Impairment loss	-	4 667 081
Debt impairment	55 179 130	37 335 458
Interest earned	(17 846 655)	-
Discounting of debtors	149 300	
Proceeds on insurance	-	(11 750)
Donated Assets	(69 863 610)	(124 803 531)
<b>Operating surplus before working capital changes:</b>	<b>#VALUE!</b>	<b>170 490 818</b>
Decrease / (Increase) in inventories	(1 305 350)	5 685 455
(Increase)/Decrease in trade receivables from exchange transactions	(33 942 824)	(45 587 565)
Decrease / (increase) in other receivables from other-exchange transactions	(1 403 194)	(30 806)
(Increase) /decrease in investment funds	7 485 104	-
(Increase)/decrease in VAT receivable	(18 638 873)	(9 309 240)
Increase/(decrease) in trade and other payables from exchange transactions	(121 739 965)	104 387 878
Increase/(decrease) in accruals	19 725 138	
Increase in consumer deposits	-	2 100
Increase in provisions		2 251 557
Decrease in unspent conditional grants and receipts	79 804 092	(7 840 626)
Decrease in current portion of finance lease liability	94 586	(6 807)
<b>Cash generated from / (utilised in) operations</b>	<b>#VALUE!</b>	<b>204 440 199</b>

**O.R. TAMBO DISTRICT MUNICIPALITY****NOTES THE FINANCIAL STATEMENTS****For the period ended 30 June 2011**

	<b>30 June 2011</b> R	<b>30 June 2010</b> R
<b>32 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	143 857 420	64 979 050
Bank overdraft	-	-
<b>Net cash and cash equivalents (net of bank overdrafts)</b>	<b>143 857 420</b>	<b>64 979 050</b>

**33 CORRECTION OF ERRORS**

Reversal of an expense incorrectly accrued	668 132	(5 000)
Journal summarised	-	61 220
Expenditure not accrued for in prior year	(464 029)	(1 027 270)
Accruing for cheques	-	1 688 913
Correction of opening balances for grant funds	2 593 843	847 629
Correcting of error	-	108 031 584
Adjustment of Mbizana Consumption	(619 821)	3 286
Recognition of expenditure not transferred to funds	-	63 091
Accounting for withdrawals not accounted for	-	1 019 688
<b>Net effect on Statement of Financial Position and net effect on Accumulated Surplus Opening Balance</b>	<b>2 178 125</b>	<b>110 683 140</b>

**34 CHANGE IN ESTIMATE**

There was no change in estimate for the period ended 30 June 2011

**O.R. TAMBO DISTRICT MUNICIPALITY****NOTES THE FINANCIAL STATEMENTS****For the period ended 30 June 2011**

	<b>30 June 2011</b> R	<b>30 June 2010</b> R	
<b>35 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT</b>			
<b>35.1 Contributions to organised local government</b>			
Opening balance	-	-	
Council subscriptions	1 303 136	1 090 314	
Amount paid - current	(1 303 136)	(1 090 314)	
Amount paid - previous years	-	-	
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>	
<b>35.2 Audit fees</b>			
Opening balance	14 090	1 843	
Current year audit fee	2 645 416	2 580 860	
Amount paid - current year	(2 639 496)	(2 566 770)	
Amount paid - previous years	(14 090)	(1 843)	
<b>Balance unpaid (included in payables)</b>	<b>5 920</b>	<b>14 090</b>	
<b>35.3 PAYE and UIF</b>			
Opening balance	(910)	(910)	
Current year payroll deductions	33 767 733	21 807 798	
Amount paid - current year	(33 766 940)	(21 807 798)	
<b>Balance unpaid (included in payables)</b>	<b>(117)</b>	<b>(910)</b>	
<b>35.4 Pension and Medical Aid Deductions</b>			
Opening balance	4 394	-	
Current year payroll deductions and Council Contributions	29 843 768	28 042 835	
Amount paid - current year	(29 843 768)	(28 038 441)	
Amount paid - previous years	(4 394)	-	
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>4 394</b>	
<b>35.5 Councillor's arrear consumer accounts</b>			
The following Councillors had arrear accounts outstanding as at:	<b>Total</b> R	<b>Outstanding 90 days and less</b> R	<b>Outstanding more than 90 days</b> R
<b>As at 30 June 2011</b>			
Councillor M.N. Mvanyashe	3 320	125	3 195
Councillor H.N. Wellem	323	323	-
Councillor H.S. Tayi	373	373	-
Councillor S. Ndabeni	7 184	385	6 799
Councillor M.J. Ndamase	5 563	813	4 750
Councillor F.N. Soldita	11 684	944	10 741
Councillor J.P Gwadiso	12 735	1 083	11 652
Councillor N.Madalane	3 192	622	2 570
Councillor T. Luvela	4 736	197	4 538
<b>Total Councillor Arrear Consumer Accounts</b>	<b>49 111</b>	<b>4 866</b>	<b>44 245</b>

**O.R. TAMBO DISTRICT MUNICIPALITY****NOTES THE FINANCIAL STATEMENTS****For the period ended 30 June 2011**

The following Councillors had arrear accounts outstanding as at:	Total	Outstanding 90 days and less	Outstanding more than 90 days
	R	R	R
<b>As at 30 June 2010</b>			
Councillor M.N. Mvanyashe	2 679	2 515	164
Councillor Jwacu	5 266	4 939	327
	4 133	3 566	567
Councillor H.S. Tayi	869	718	151
Councillor S. Ndabeni	5 648	5 282	366
Councillor M.J. Ndamase	3 938	3 178	760
Councillor F.N. Soldita	7 823	7 123	700
Councillor J.P Gwadiso	8 927	8 258	669
Councillor T. Luvela	1 249	147	1 102
<b>Total Councillor Arrear Consumer Accounts</b>	<b>40 531</b>	<b>35 726</b>	<b>4 805</b>

**35.6 Expenditure incurred in terms of Paragraph 36(1)(a) and (b) of the Municipal Supply Chain Management Policy**

Paragraphs 36(1)(a) and (b) of the Municipality's supply chain management policy stipulate that the accounting officer may dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only:

- in an emergency;
- if such goods or services are produced or available from a single provider only;
- for the acquisition of special works of art or historical objects where specifications are difficult to compile;
- acquisition of animals for zoos and/or nature and game reserves; or
- in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and

ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

	30 June 2011 R	30 June 2010 R
Expenditure in emergency situations	1 776 243	5 256 529
Expenditure in respect of single service providers	7 233 045	25 496 000
<b>Total value of expenditure</b>	<b>9 009 287</b>	<b>30 752 529</b>

**36 CAPITAL COMMITMENTS****36.1 Commitments in respect of capital expenditure**

- Approved and contracted for	<b>46 141 425</b>	<b>266 727 056</b>
Infrastructure	46 141 425	251 287 212
Community	-	-
Other	-	15 439 844
 - Approved but not yet contracted for		
Infrastructure	534 421 049	458 973 070
 <b>Total</b>	<b>580 562 474</b>	<b>725 700 126</b>

This expenditure will be financed from:

- Government Grants	580 562 474	710 260 282
- Own resources		15 439 844
	<b>580 562 474</b>	<b>725 700 126</b>

**O.R. TAMBO DISTRICT MUNICIPALITY**  
**NOTES THE FINANCIAL STATEMENTS**  
**For the period ended 30 June 2011**

**37 CONTINGENT LIABILITY**

37.1 Claim for damages	<b>14 999 554</b>	<b>10 328 804</b>
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**37.2 SCHEDULE OF CURRENT YEAR LISTING OF CONTINGENT LIABILITIES AS AT 30 JUNE 2010**

<b>NATURE OF CLAIM &amp; COMMENCEMENT OF CLAIM</b>	<b>AMOUNT CLAIMED</b>
Two claims have been lodged for failure to honour a concession agreement. Council is contesting the claim based on legal advice.	521 039
Summons from two separate service providers have been received for failure to honour contracts. On the basis of legal advice the municipality is contesting the claim.	8 315 654
Three claims have been lodged against the municipality. They are in lieu of services rendered. On the basis of legal opinion, the municipality is contesting the claims.	2 970 680
The municipality is being sued for breach of agreement resulting to loss of earnings. Municipality contested the claim and claimant is to withdraw the case.	2 000 000
The municipality is being sued for damages suffered in a motor accident that occurred. On the basis of legal opinion the municipality is contesting the claim.	200 000
The municipality is being sued for damages on the claimant's property. The municipality is contesting the claim	100 000
Six separate claims have been lodged for damage to telephone infrastructure. The municipality is contesting the claim.	433 633
Two separate claims have been lodged for the damage to motor vehicles. The municipality is contesting the claim	50 923
The municipality is being sued for failure to report a diseased employee to the provident fund for payment of proceeds. The municipality is contesting the claim	407 626
<b>Claim for damages</b>	<b>14 999 554</b>

The timing and amount of these contingent liabilities is uncertain as these will be determined by the courts.

**38 RELATED PARTIES**

**38.1 Members of key management**

Ncube AMM (Mr)	<i>Acting Municipal Manager</i>
Somana T (Mrs)	<i>Strategic Director: Planning and socio-Econ.Dev</i>
Nogaga T (Mr)	<i>Strategic Director: Corporate affairs</i>
Madikizela P (Mr)	<i>Political Advisor to Exec. Mayor</i>
Moleko M (Mr)	<i>Chief Finance Officer</i>
Mbatani N (Ms)	<i>Chief Operations Officer</i>
Mbiko L (Mr)	<i>Director - Internal Audit</i>
Tseane T (Mrs)	<i>Council Secretary</i>

**38.2 Other related party relationships**

**O R Tambo Ntinga Development Agency (the Agency)**      *A Municipal entity wholly controlled by the Municipality*

The Agency (an Association Incorporated under Section 21 of the Companies Act, Act No.61, of 1973) established by the District Municipality to promote and implement sustainable Local Economic Development through a myriad of initiatives, programs and projects throughout the District. By its nature therefore, in turn the Agency has a number of standalone and semi-standalone projects and entities which they themselves become related parties to the District Municipality in their own right.

**O.R. TAMBO DISTRICT MUNICIPALITY****NOTES THE FINANCIAL STATEMENTS****For the period ended 30 June 2011**

	<b>30 June 2011</b> R	<b>30 June 2010</b> R
<b>Related party balances</b>		
Amount owing to O R Tambo Ntinga Development Agency at period end included in trade payables	-	-
<b>Related party transactions</b>		
O R Tambo Ntinga Development Agency: Grant Paid Expenditure of farm operations	43 029 203 8 562 268	80 225 879 926 864

These transactions are recorded at arms length.

**39 EVENTS AFTER THE REPORTING DATE**

No material fact or circumstance has occurred between the accounting date and the date of this report.

**40 RISK MANAGEMENT****40.1 Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

**O.R. TAMBO DISTRICT MUNICIPALITY****NOTES THE FINANCIAL STATEMENTS****For the period ended 30 June 2011**

Financial assets exposed to credit risk at year end were as follows:

	<b>30 June 2011</b>	<b>30 June 2010</b>
	R	R
Cash and cash equivalents	143 857 420	64 979 050
Trade receivables from exchange transactions	16 710 240	11 903 678
Other receivables from non-exchange transactions	-	-
Other receivables from exchange transactions	2 736 324	1 333 130
	<b>163 303 984</b>	<b>78 215 858</b>

These balances represent the maximum exposure to credit risk.

The Municipality does not have collateral or other credit enhancements for its credit risk exposure from financial assets during the current or prior year. In addition, there were no instances during the current or prior year where the Group has taken possession of collateral it holds as security.

There are no financial assets that would have been past due or impaired had the terms not been renegotiated for the current or prior year.

Financial assets that are individually impaired

The analysis of overall credit risk exposure indicates that the Municipality has trade receivables that are impaired at the reporting date.

The financial assets are analysed below:

	<b>30 June 2011</b>		
	Gross	Net	Impairment losses
	<b>208 841 794</b>	<b>16 710 240</b>	<b>(192 131 554)</b>
<hr/>			
	<b>30 June 2010</b>		
	Gross	Net	Impairment losses
	<b>174 898 969</b>	<b>11 903 678</b>	<b>(162 995 291)</b>
<hr/>			

**41 RESTATEMENT OF COMPARATIVE INFORMATION**

The prior year figures have been reclassified, as far as it is practicable, to comply with the current reporting requirements.

**O.R. TAMBO DISTRICT MUNICIPALITY****NOTES THE FINANCIAL STATEMENTS****For the period ended 30 June 2011****UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL  
42 EXPENDITURE DISALLOWED****42.1 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure

Opening balance -		
Fruitless and wasteful expenditure current year	8 627 217	-
Condoned or written off by Council		-
To be recovered – contingent asset		-
Fruitless and wasteful expenditure awaiting condonement	(8 627 217)	

Incident	Disciplinary steps / Criminal proceedings
Penalties and interest on late submission of P.A.Y.E. return   Total penalties incurred amount to R347 347	N/A

**42.2 Irregular expenditure**

Reconciliation of irregular expenditure

Expenses	Amount
Expenditure where 3 quotes were not obtained: Bids awarded to providers different from the ones recommended by the bid evaluation committee. The minutes of the bid adjudication committee did not specify the reason for not taking the recommendation.	
Contracts awarded to bidders who did not have tax clearance certificates.	
Competitive bidding process was circumvented due to contract reviewed without retendering.	
Total	-

Incident	Disciplinary steps / Criminal proceedings
None	N/A

**42.3 Unauthorised Expenditure**

Expenditure	Actual	Budgeted	Excess
Housing projects	7 233 044	-	7 233 044
Total			7 233 044

**O.R. TAMBO DISTRICT MUNICIPALITY****NOTES THE FINANCIAL STATEMENTS****For the period ended 30 June 2011**

	<b>30 June 2011</b>	<b>30 June 2010</b>
	R	R
<b>43 DISCLOSURE OF MATERIAL LOSSES</b>		
As a water supplying authority, the municipality will inevitably incur customary water distribution losses, which occur in any water distributing municipality. These losses are due to burst water pipes, faulty water reticulation infrastructure and water evaporation. Further to these standard water losses, the municipality also suffered a further loss as a result of supplied water that was however not billed. Lastly as part of the developmental objectives of the municipality in line with prescriptions by National Government, the municipality also provided free basic water to urban based residents and free water to rural based communities in the form of public tap water services and water cartage services.		

<b>Total value of material losses in respect of water supply</b>	<b>13 025 785</b>	<b>15 040 320</b>
	—————	—————

**OR TAMBO DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**44 STATEMENT OF BUDGET VERSUS ACTUAL INFORMATION**

R thousands or R	Original Budget	Budget Adjustments <i>(i.t.o. s28 and s31 of the MFMA)</i>	Virement <i>(i.t.o. Council approved by-law)</i>	2010/11		Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
				Final Budget	Actual Outcome				
<b>Financial Performance</b>									
Property rates									
Service charges	95 348 419	0		95 348 419	#VALUE!		#VALUE!	#VALUE!	#VALUE!
Investment revenue	7 942 877	7 720 372		15 663 249	18 638 056				
Transfers recognised - operational	727 602 286	21 432 514		749 034 800	864 265 779		(115 230 979)	115%	119%
Other own revenue	92 478 007	(11 194 308)		81 283 699	88 434 796		(7 151 097)	109%	96%
<b>Total Revenue (excluding capital transfers)</b>	<b>923 371 589</b>	<b>17 958 578</b>		<b>941 330 167</b>	<b>#VALUE!</b>		<b>#VALUE!</b>	<b>#VALUE!</b>	<b>#VALUE!</b>
Employee costs	222 381 848	(13 622 468)		208 759 380	179 201 544		29 557 836	86%	81%
Remuneration of councillors	8 848 000	(418 098)		8 429 902	8 358 781		71 121	99%	94%
Debt impairment	140 000 000	-		140 000 000	55 179 130		84 820 870	39%	39%
Depreciation & asset impairment	-	-		-	134 590 019		(134 590 019)	0%	0%
Finance charges	-	-		-	91 301		(91 301)	0%	0%
* Materials and bulk purchases	62 251 000	(1 804 855)		60 446 145	24 907 983		35 538 162	41%	40%
Transfers and grants	50 104 006			50 104 006	43 071 724		7 032 282	0%	0%
Other expenditure	579 786 735	33 804 000		613 590 735	#VALUE!		#VALUE!	#VALUE!	#VALUE!
<b>Total Expenditure</b>	<b>1 063 371 589</b>	<b>17 958 579</b>		<b>1 081 330 167</b>	<b>#VALUE!</b>		<b>-</b>	<b>#VALUE!</b>	<b>#VALUE!</b>
<b>Surplus/(Deficit)</b>	<b>(140 000 000)</b>	<b>(0)</b>		<b>(140 000 000)</b>	<b>#VALUE!</b>		<b>#VALUE!</b>	<b>#VALUE!</b>	<b>#VALUE!</b>
Transfers recognised - capital	350 689 000	46 679 096		397 368 096	143 534 343			253 833 753	36% 41%
Contributions recognised - capital & Surplus/(Deficit) after capital transfers & Share of surplus/ (deficit) of associate		-					#VALUE!	#VALUE!	#VALUE!
<b>Surplus/(Deficit) for the year</b>	<b>210 689 000</b>	<b>46 679 096</b>		<b>257 368 096</b>	<b>#VALUE!</b>		<b>-</b>	<b>#VALUE!</b>	<b>#VALUE!</b>
<b>Capital expenditure &amp; funds sources</b>									
Capital expenditure	350 688 726	46 679 370		-	391 651 809		(391 651 809)	0%	112%
Transfers recognised - capital	345 057 000	52 311 096			143 534 343		(143 534 343)	0%	0%
Public contributions & donations	-	-		-	-		-	0%	0%
Borrowing		-							
Internally generated funds	5 632 113	(5 632 113)			348 117 466		(248 117 466)	0%	4405%
<b>Total sources of capital funds</b>	<b>350 689 113</b>	<b>46 678 983</b>		<b>-</b>	<b>391 651 809</b>		<b>(391 651 809)</b>	<b>0%</b>	<b>112%</b>
<b>Cash flows</b>									
Net cash from (used) operating	416 726 244	(26 631 044)		390 095 200	#VALUE!		#VALUE!		
Net cash from (used) investing	(398 199 113)	153 603 526		(244 595 587)	(326 628 374)		82 032 787	134%	82%
Net cash from (used) financing	-	-		-	230 943		(230 943)	0%	0%
<b>Cash/cash equivalents at the year end</b>	<b>18 527 131</b>	<b>126 972 482</b>		<b>145 499 613</b>	<b>#VALUE!</b>		<b>#VALUE!</b>	<b>#VALUE!</b>	<b>#VALUE!</b>

**O R TAMBO DISTRICT MUNICIPALITY**  
**APPENDIX D: MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
as at 30 June 2011

	Cost / Revaluation												Accumulated Depreciation							
	Additions			Under construction			Accumulated Depreciation													
	Opening Balance	Prior period errors	Revaluations	Municipality	DWAF Donations	Disposals	Municipality	DWAF Donations	Closing Balance	Opening Balance	Prior year adjustment	Depreciation	Disposals	Impairment loss/ revaluation reversal	Other Adjustments	Closing Balance	Transfers	Other movements	Carrying Value	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
<b>Land</b>	48 195 554	-	-	-	-	-	-	-	48 195 554	12 445 553	-	-	-	-	-	12 445 553	-	-	35 750 001	
<b>Buildings</b>	111 340 206	-	-	8 100 459	-	-	-	-	119 440 665	10 595 628	-	-	-	-	-	10 595 628	-	-	108 845 037	
<b>Infrastructure</b>																				
Road Transport	372 542 094	-	-	15 187 896	-	-	3 686 029	-	391 416 019	245 297 298	-	21 143 490	-	-	-	266 440 788	-	-	124 975 231	
Sanitation	363 640 311	-	-	-	-	-	-	-	363 640 311	192 786 456	-	7 959 130	-	-	-	200 745 586	-	-	162 894 725	
Water Supply	4 215 064 972	-	-	13 657 220	-	-	280 559 382	69 863 610	4 579 145 184	1 145 171 241	-	93 271 099	-	-	-	1 238 442 340	-	-	3 340 702 843	
	4 951 247 377	-	-	28 845 116	-	-	284 245 411	69 863 610	5 334 201 514	1 583 254 995	-	122 373 720	-	-	-	1 705 628 715	-	-	3 628 572 799	
<b>Other Assets</b>																				
Parking area	3 754 407	-	-	-	-	-	-	-	3 754 407	3 620 979	-	-	-	-	-	3 620 979	-	-	124 488	
Post homes	477 338	-	-	-	-	-	-	-	477 338	35 996	-	-	-	-	-	35 996	-	-	441 342	
Fencing	1 045 391	-	-	-	-	-	-	-	1 045 391	1 045 381	-	-	-	-	-	1 045 381	-	-	16	
Security Systems	530 395	-	-	49 300	-	-	-	-	579 695	251 585	-	74 560	-	-	-	326 146	-	-	253 549	
Plant & Equipment	37 176 389	-	-	4 832 123	-	-	-	-	42 008 512	23 861 990	-	2 845 254	-	-	-	26 707 244	-	-	15 301 268	
Emergency Equipment	3 284 247	-	-	-	-	-	-	-	3 284 247	787 696	-	218 950	-	-	-	1 006 645	-	-	2 277 602	
Tools & Equipment	3 052 677	-	-	265 714	-	-	-	-	3 318 391	527 040	-	305 268	-	-	-	832 308	-	-	2 486 083	
Mobile phones	11 055 325	-	-	335 022	-	-	-	-	11 380 367	6 125 465	-	2 265 177	-	-	-	8 393 323	-	-	7 044 640	
Furniture & Fittings	8 677 196	-	-	474 395	-	-	-	-	9 151 491	3 641 986	-	1 031 718	-	-	-	4 677 024	-	-	4 473 787	
Office Equipment	5 190 808	-	-	399 442	-	-	-	-	5 590 250	2 866 123	-	1 110 897	-	-	-	3 977 020	-	-	1 613 230	
Computer Equipment	8 972 720	-	-	850 059	-	-	-	-	9 822 779	4 398 593	-	1 871 447	-	-	-	6 270 040	-	-	3 552 739	
	83 215 973	-	-	7 206 556	-	-	-	-	90 422 529	47 173 555	-	9 727 230	-	-	-	56 900 785	-	-	33 521 743	
<b>Total carried forward</b>	5 193 999 110	-	-	44 152 131	-	-	284 245 411	69 863 610	5 592 260 261	1 652 469 721	-	132 100 950	-	-	-	1 785 570 681	-	-	3 806 689 580	

**O R TAMBO DISTRICT MUNICIPALITY**  
**APPROPRIATE MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
as at 30 June 2011

	Cost / Revaluation									Accumulated Depreciation									Transfers	Other movements	Carrying Value
	Opening Balance	Prior year adjustments	Revaluations	Municipality	DWAF Donations	Disposals	Under Construction	Other Adjustment	Closing Balance	Opening Balance	Prior year adjustment	Depreciation	Disposals	Impairment loss	Other Adjustments	Closing Balance	R	R	R		
Total brought forward	R 5 193 999 110	-	-	R 44 152 131	-	-	R 284 245 411	-	R 69 863 610	R 5 592 260 261	-	R 1 653 469 731	-	R 132 100 950	-	-	-	R 1 785 570 681	-	-	R 3 806 689 580
Heritage Assets																					
Paintings & Artifacts	90 000	-	-	-	-	-	-	-	90 000	-	-	-	-	-	-	-	-	-	-	-	90 000
Finance Lease Assets																					
Office Equipment	1 575 266	-	-	-	-	-	-	-	1 575 266	-	R 675 062	-	R 245 786	-	-	-	R 920 848	-	-	R 654 418	
<b>Total</b>	<b>R 5 195 664 376</b>	<b>-</b>	<b>-</b>	<b>R 44 152 131</b>	<b>-</b>	<b>-</b>	<b>R 284 245 411</b>	<b>-</b>	<b>R 69 863 610</b>	<b>R 5 593 925 527</b>	<b>-</b>	<b>R 1 654 144 793</b>	<b>-</b>	<b>R 132 346 736</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>R 1 786 491 530</b>	<b>-</b>	<b>-</b>	<b>R 3 807 433 998</b>

**O R TAMBO DISTRICT MUNICIPALITY**  
 APPROVED MUNICIPALITY  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
 as at 30 June 2012

	Cost / Revaluation												Accumulated Depreciation						Transfers	Other movements	Carrying Value				
	Additions			Under construction			Disposals			Opening Balance			Prior year adjustment			Depreciation			Impairment loss/revaluation reversal			Other Adjustments			
	Opening Balance	Prior period errors	Revaluations	Municipality	DWAF Donations	Disposals	Municipality	DWAF Donations	Closing Balance	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
<b>Land</b>	47 945 554	-	250 000	R	R	R	R	R	48 195 554	10 345 553	-	-	-	-	-	-	-	2 100 000	12 445 553	-	-	35 750 001			
<b>Buildings</b>	92 349 992	-	6 217 333	294 162	-	-	12 478 719	-	111 340 206	7 235 567	-	-	-	-	-	-	-	10 595 628	-	-	-	100 744 578			
<b>Infrastructure</b>																									
Road Transport	303 780 450	30 015 909	-	8 099 295	-	-	30 646 440	-	372 542 094	122 073 973	-	-	-	-	-	-	-	245 297 298	-	-	-	127 244 796			
Sanitation	363 640 311	-	-	-	-	-	-	-	363 640 311	192 786 456	-	-	-	-	-	-	-	192 786 456	-	-	-	170 853 855			
Water Supply	3 903 434 276	78 015 675	-	17 971 902	32 271 223	-	90 839 588	92 532 308	4 215 064 972	1 145 171 241	-	-	-	-	-	-	-	1 145 171 241	-	-	-	3 069 893 731			
	4 570 855 037	108 031 584	-	26 365 358	32 271 223	-	121 486 028	92 532 308	4 951 247 377	1 460 031 670	-	-	-	-	-	-	-	1 583 254 995	-	-	-	3 367 992 382			
<b>Other Assets</b>																									
Park area	3 754 467	-	-	-	-	-	-	-	3 754 467	3 332 860	-	297 119	-	-	-	-	-	3 626 979	-	-	-	124 488			
Post homes	477 338	-	-	-	-	-	-	-	477 338	41 773	-	31 823	-	-	-	-	-	39 995	-	-	-	441 342			
Fencing	1 045 391	-	-	-	-	-	-	-	1 045 391	1 045 381	-	-	-	-	-	-	1 045 381	-	-	-	10				
Security Systems	510 542	-	-	-	-	-	-	-	510 542	530 395	-	180 169	-	-	-	-	-	251 585	-	-	-	278 810			
Plant & Equipment	32 707 219	1 903 000	-	2 566 170	-	-	-	-	37 176 389	21 056 323	214 088	2 422 588	-	168 992	-	-	-	23 861 990	-	-	-	13 314 399			
Emergency Equipment	2 475 971	-	-	-	-	-	-	-	3 284 247	612 408	-	175 288	-	-	-	-	-	787 696	-	-	-	2 496 552			
Tools & Equipment	1 531 446	-	-	-	-	-	-	-	3 052 677	291 992	-	235 048	-	-	-	-	-	527 040	-	-	-	2 525 637			
Mobile phones	11 386 007	(1 321 570)	-	1 065 306	-	-	-	-	11 050 435	4 592 442	(294 200)	2 026 168	-	62 456	-	-	-	5 127 346	-	-	-	1 064 100			
Furniture & Fittings	7 804 001	4 823	-	868 372	-	-	-	-	8 677 196	2 617 558	3 216	1 021 212	-	-	-	-	-	3 641 986	-	-	-	5 035 210			
Office Equipment	5 050 847	-	-	139 961	-	-	-	-	5 190 808	1 681 219	-	1 184 904	-	-	-	-	-	2 866 123	-	-	-	2 324 685			
Computer Equipment	6 776 696	-	-	2 196 024	-	-	-	-	8 972 720	2 736 413	-	1 657 115	-	5 065	-	-	-	4 398 593	-	-	-	4 574 127			
	73 442 325	586 253	-	9 187 394	-	-	-	-	83 215 973	37 857 818	(76 996)	9 156 221	-	236 513	-	-	-	47 173 555	-	-	-	36 042 417			

<b>Total carried forward</b>	4 784 592 908	99 826 670	6 497 333	35 258 591	32 271 223	-	131 964 748	92 532 308	5 193 999 110	1 515 470 608	(76 996)	135 386 271	-	589 948	2 100 000	163 469 731	-	-	3 540 529 379
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**APPENDIX R: MUNICIPALITY  
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
as at 30 June 2011

	Cost / Revaluation									Accumulated Depreciation									Transfers	Other movements	Carrying Value
	Opening Balance	Prior year adjustments	Revaluations	Municipality	DWAF Donations	Disposals	Under Construction	Other Adjustment	Closing Balance	Opening Balance	Prior year adjustments	Depreciation	Disposals	Impairment loss	Other Adjustments	Closing Balance	R	R	R		
<b>Total brought forward</b>	R 4 784 592 908	R 108 617 837	R 6 467 333	R 35 846 915	R 32 271 223	-	R 131 964 748	R 92 532 308	R 5 193 999 110	R 1 515 470 608	R (76 996)	R 135 386 271	-	R 589 948	R 2 100 000	R 1 653 469 731	-	-	R 3 540 529 379		
<b>Heritage Assets</b> Paintings & Artifacts	90 000	-	-	-	-	-	-	-	90 000	-	-	-	-	-	-	-	-	-	90 000		
<b>Finance Lease Assets</b> Office Equipment	667 316	26 160	-	881 790	-	-	-	-	1 575 266	472 620	11 469	190 973	-	-	-	675 062	-	-	900 204		
<b>Total</b>	<b>R 4 785 350 224</b>	<b>R 108 643 997</b>	<b>R 6 467 333</b>	<b>R 36 728 705</b>	<b>R 32 271 223</b>	-	<b>R 133 964 748</b>	<b>R 92 532 308</b>	<b>R 5 195 664 376</b>	<b>R 1 515 943 228</b>	<b>R (65 527)</b>	<b>R 135 577 244</b>	-	<b>R 589 948</b>	<b>R 2 100 000</b>	<b>R 1 654 144 793</b>	-	-	<b>R 3 541 519 583</b>		

**O R TAMBO DISTRICT MUNICIPALITY**  
 APPENDIX C: MUNICIPALITY  
 SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT  
 as at 30 June 2011

	Cost / Revaluation											Accumulated Depreciation					
				Additions		Under construction											
	Opening balance	Prior year adjustment	Revaluation Amount	Municipality	DWAF donations	Municipality	DWAF donations	Other Adjustments	Closing Balance	Opening Balance	Depreciation	Reversal of revaluation	Impairment	Other Adjustments	Closing Balance	Carrying value	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Executive & Council	15 513 284	-	-	278 955	-	-	-	-	15 792 240	7 148 967	2 104 460	-	-	-	9 253 427	6 538 812	
Finance & Admin	105 625 597	-	-	10 966 836	-	-	-	-	116 592 433	19 731 948	3 165 695	-	-	-	22 917 643	93 674 790	
Planning & Development	43 328 944	-	-	-	-	-	-	-	43 328 944	8 341 116	877 077	-	-	-	9 218 193	34 110 751	
Health	1 585 010	-	-	-	-	-	-	-	1 585 010	1 037 842	145 118	-	-	-	1 182 960	402 050	
Community & Social Services	3 384 577	-	-	-	-	-	-	-	3 384 577	2 584 717	446 313	-	-	-	3 031 030	353 547	
Public Safety	4 967 997	-	-	738 982	-	-	-	-	5 706 979	2 283 577	393 701	-	-	-	2 777 278	2 929 700	
Road Transport	1 770 702	-	-	-	-	-	-	-	1 770 702	1 305 614	261 243	-	-	-	1 566 857	203 845	
Water & Sanitation	30 389 429	-	-	3 322 241	-	-	-	-	32 710 670	3 960 339	2 015 220	-	-	-	5 975 559	27 725 111	
Infrastructure	4 970 769 982	-	-	28 845 116	-	354 109 021	-	-	5 353 724 119	1 597 255 653	122 373 720	-	-	-	1 719 629 373	3 694 094 746	
Housing	92 784	-	-	-	-	-	-	-	92 784	9 804	17 940	-	-	-	27 744	65 040	
Public Works	13 329 932	-	-	-	-	-	-	-	13 329 932	130 045	160 126	-	-	-	290 171	13 039 761	
Other Functions	2 031 950	-	-	-	-	-	-	-	2 031 950	1 622 135	140 337	-	-	-	1 762 472	269 478	
Leased assets	1 575 266	-	-	-	-	-	-	-	1 575 266	675 062	245 786	-	-	-	920 848	654 418	
<b>Total</b>	<b>5 194 364 453</b>	-	-	<b>44 152 130</b>	-	<b>354 109 021</b>	-	-	<b>5 592 625 605</b>	<b>1 646 206 819</b>	<b>132 346 736</b>	-	-	-	<b>1 778 553 555</b>	<b>3 814 072 049</b>	

**OR TAMBO DISTRICT MUNICIPALITY**  
**APPENDIX D**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2011

2010			2010			2010			2011			2011		
Actual Income	Actual Expenditure	Surplus / (Deficit)							Actual Income	Actual Expenditure	Surplus / (Deficit)			
R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
3 786 278	68 811 517	(65 025 239)	Executive & Council						3 265 724	61 674 856	(58 409 132)			
500 661 704	160 274 681	340 387 023	Finance & Admin						620 202 187	276 535 486	343 666 701			
3 752 861	103 298 852	(99 545 991)	Planning & Development						1 556 795	67 275 174	(65 718 379)			
3 381 662	2 399 547	982 115	Health						2 000	2 971 688	(2 969 688)			
-	6 179 091	(6 179 091)	Community & Social Services						7 946 869	8 051 263	(104 393)			
8 823 286	18 236 900	(9 413 614)	Public Safety						1 258 447	16 565 793	(15 307 347)			
-	2 782 010	(2 782 010)	Sport & Recreation						563	2 303 935	(2 303 373)			
-	2 742 717	(2 742 717)	Environmental Protection						-	7 839 826	(7 839 826)			
34 941 728	32 596 441	2 345 287	Road Transport						1 066 525	1 233 106	(166 581)			
523 098 815	558 958 225	(35 859 410)	Water						589 938 542	391 531 351	198 407 191			
8 723 746	17 143 590	(8 419 844)	Other						6 583 289	17 088 026	(10 504 737)			
<b>1 087 170 081</b>	<b>973 423 572</b>	<b>113 746 509</b>	Total						<b>1 231 820 941</b>	<b>853 070 504</b>	<b>378 750 436</b>			
<b>1 087 170 081</b>	<b>973 423 572</b>	<b>113 746 509</b>	Total						<b>1 231 820 941</b>	<b>853 070 504</b>	<b>378 750 436</b>			

**O.R. TAMBO DISTRICT MUNICIPALITY**  
**APPENDIX G**  
**DETAILED SCHEDULE OF CONDITIONAL GRANTS AND RECEIPTS**

Grant name	Opening opening balance 01 July 2010	Current year receipts	Revenue Expenditure	Capital Expenditure	Prior Year Adjustment	Closing balance (Unutilised funds) 30 June 2011
<b>NATIONAL GRANTS</b>						
Aids Training Information and Counsel Fund	(838 556)	(3 092 760)	2 038 265	-	-	(1 893 051)
BSRP Projects	(693 934)	-	-	-	-	(693 934)
CBPWP	(43 251)	-	-	-	-	(43 251)
Community Development Workers' Fund	(359 216)	-	588 025	-	-	228 809
KDC Disaster Management	(294 099)	0	628 473	-	-	334 375
DWAF Projects	(1 953 697)	(19 027 000)	12 778 298	-	-	(8 202 399)
Establishment Fund (Grants Received)	(2 284 779)	(2 128 432)	-	-	-	(4 413 212)
Financial Management Grant	14 536	(1 000 000)	918 706	-	-	(66 758)
Fire and Emergency	(432 419)	-	-	-	-	(432 419)
HIV / AIDS Programme	(65 732)	-	-	-	-	(65 732)
IFESH	(51 095)	-	-	-	-	(51 095)
Income Generating Projects	(505 668)	-	-	-	-	(505 668)
Intergrated Development Fund	(499 599)	-	270 378	-	-	(229 221)
Intergrated Transport Fund	(6 761)	-	1 648 675	-	-	1 641 914
IRDP Project Fund	(959 230)	-	-	-	-	(959 230)
Job Evaluation Fund	4 664	-	-	-	-	4 664
LGWSETA	(89 262)	-	-	-	-	(89 262)
LG SETA	(955 744)	-	-	-	-	(955 744)
Libraries and Information Fund	(2 821 722)	(4 100 000)	6 933 429	736 528	-	748 235
Mbizana Drought Relief Fund	(13 212)	-	-	-	-	(13 212)
MIG Fund	30 530 576	(570 955 000)	327 812 568	143 534 344	-	(69 077 513)
MSIG Projects	(63 650)	(1 000 000)	834 640	-	-	(229 010)
Rural anti-poverty	59 805	-	-	-	(59 805)	-
SIP Fund	(385 599)	-	-	-	385 599	-
SPU Youth Development Project Fund	(168 270)	-	-	-	-	(168 270)
Survery and Planning Project	(20 561)	-	-	-	-	(20 561)
Training Funds	-	-	3 197	-	-	3 197
Transport Infrastructure	(1 324 300)	-	-	-	1 324 300	-
Water Services Business Plan Implementation	50 830	-	-	-	(50 830)	-
REFURBISHEMENT OF SEWERAGE PUM	(2 256 546)	-	9 195 167	-	-	6 938 621
Umnzintlava / Qhingolo Fund	(2 585 037)	-	-	-	-	(2 585 037)
Assessment For River Health	(916 355)	-	-	-	-	(916 355)
District Aids Council	(150 000)	-	-	-	-	(150 000)
Capacity Building Training Grant	(148 330)	-	-	-	-	(148 330)
Capacity Building	-	-86 832.05	-	-	-	(86 832)
Cape Town Disaster Fund	(27 102)	-	-	-	-	(27 102)
Disaster Relief Fund	(25 558)	-	-	-	25 558	-
Emfundisweni Bed and Breakfast	(118 861)	-	-	-	118 861	-
First Call Account Fund	(4 016)	-	-	-	4 016	-
Information and Energy Centre	(2 115)	-	-	-	(2 115)	(4 230)
Institutional Training	(724 998)	-	-	-	-	(724 998)
Investment Site Profiling Mapping	(103 283)	-	-	-	103 283	-
ISRDP Beef Project	(13 206)	-	-	-	13 206	-
ISRDP Development Fund	(301 062)	-	-	-	301 062	-
Land Survey Projects Fund	(86 960)	-	-	-	-	(86 960)
Langeni Development (Singisi Forest)	(79 555)	-	-	-	79 555	-
LED DEAET	(2 510 252)	-	273 774	-	-	(2 236 478)
LED Strategy Fund	(212 798)	-	-	-	-	(212 798)
Masimanyane Fund	(117 398)	-	-	-	117 398	-
Ntabankulu Dam, Hotel and Recreation	(1 120 455)	-	-	-	-	(1 120 455)
ORTDM Sugar Association	(1 354)	-	-	-	-	(1 354)
Siyaphambili Woodworkers Cooperative	(49 954)	-	-	-	49 954	-
Spatial Development	8 618	-	-	-	-	8 618
Spatial Planning Fund	(9 862)	-	-	-	-	(9 862)
Valuations Projects Fund	(179 570)	-	-	-	179 570	-
Vulindlela DBSA	(472 707)	-	-	-	-	(472 707)

3 621 338	(601 390 024)	363 923 595	144 270 872	2 589 612	(86 984 607)
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<b>PROVINCIAL GRANTS</b>						
Coffee Bay Grant	-	(107 528)	175 771			68 243
Eagerton Housing Fund	(602 098)	(1 536 381)	1 833 180	-	-	(305 299)
Hadini Housing Fund	2 568 517	(617 430)	1 747 563	-	-	3 698 650
Kwam Womens Movement	(135 023)	-	513 060	-	-	378 037
Kwenxurha Rural Housing Fund	517 363	-	-	-	-	517 363
Lindile Housing Fund	(1 318 860)	-	-	-	-	(1 318 860)
Mantlaneni Rural Housing Fund	(510 447)	(1 167 639)	1 734 348	-	-	56 262
Mpeko Rural Housing Fund	(435 664)	-	-	-	-	(435 664)
Ncambele Rural Housing Fund	(31 216)	-	-	-	-	(31 216)
Ndlungulu Rural Housing Fund	(514 146)	(342 159)	-	-	-	(856 305)
New Payne Rural Housing Fund	234 224	-	665 345	-	-	899 569
Ngqwala Rural Housing Fund	489 128	-	16 550	-	-	505 678
Nkonzo Rural Housing Fund	278 340	(213 996)	581 887	-	-	646 231
Nqabeni Housing Projects Grant	-	(1 467 739)	1 248 176	-	-	(219 563)
Ntshabeni Rural Housing Fund	(804 309)	-	-	-	-	(804 309)
Payne Rural Fund	(463 233)	(474 575)	-	-	-	(937 808)
Preston Housing Fund	(765 163)	-	-	-	-	(765 163)
Upper Centuli Fund	187 979	-	-	-	-	187 979
Upper Tabase Fund	51 661	-	-	-	-	51 661
Wild Coast Fishing Fund	(194 916)	-	118 300	-	-	(76 616)
Zidindi Rural Fund	819 868	-	-	-	-	819 868
	(627 996)	(5 927 446)	8 634 180	-	-	2 078 738
<b>Public Contributions</b>						
Mbizana Extension 4 Fund	4 628 500	-	-	-	-	4 628 500
Umtata Community Arts Fund	(49 907)	-	523 185	-	-	473 278
	4 578 593	-	523 185	-	-	5 101 778
<b>Total conditional grants</b>	<b>7 571 934</b>	<b>(607 317 471)</b>	<b>373 080 961</b>	<b>144 270 872</b>	<b>2 589 612</b>	<b>(79 804 092)</b>